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BARRY M. STAW
RODERICK M. KRAMER
Editors

CONTENTS

LIST OF CONTRIBUTORS

William P. Barnett	Stanford University, Stanford, CA, USA
Theresa S. Cho	Rutgers University, New Jersey, USA
Catherine Durnell Cramton	George Mason University, Fairfax, VA, USA
Sydney Finkelstein	Amos Tuck School, Dartmouth College, USA
Donald C. Hambrick	The Pennsylvania State University, University Park, PA, USA
J. Richard Hackman	Harvard University, Cambridge, MA, USA
Marya Hill-Popper	Harvard University, Cambridge, MA, USA
Pamela J. Hinds	Stanford University, Stanford, CA, USA
Eric M. Jackson	Jackson Leadership Systems, Inc., Newmarket, Ontario, Canada
Rakesh Khurana	Harvard Business School, Boston, MA, USA
Laura J. Kray	University of California, Berkeley, CA, USA
Carol T. Kulik	University of Melbourne, Parkville, VIC, Australia
Deepak Malhotra	Harvard Business School, Boston, MA, USA
J. Keith Murnighan	Northwestern University, Evanston, IL, USA
Joel M. Podolny	Harvard University, Cambridge, MA, USA
Elizabeth G. Pontikes	Stanford University, Stanford, CA, USA
Jeffrey Sanchez-Burks	University of Michigan, Ann Arbor, MI, USA
Daniel P. Skarlicki	University of British Columbia, Vancouver, BC, Canada

Leigh Thompson	Northwestern University, Evanston, IL, USA
Ruth Wageman	Dartmouth College, USA
J. Mark Weber	University of Toronto, Canada

PREFACE

This 26th volume of *Research in Organizational Behavior* presents a set of well-crafted and thoughtful essays on a series of research topics. They range from efforts to redirect the study of leadership, to analyses of interpersonal relationships, to considerations of cross-cultural issues in organizing work, to discussions of institutional and environmental forces on organizational outcomes. Each of these essays includes a thorough review of the relevant literature, and more importantly, pushes that literature forward with new conceptual analysis and theory. In short, these essays continue the spirit of "rigorous eclecticism" that has exemplified the annual publication of *ROB*.

The first two chapters deal with the broad notion of leadership, a topic that has (once again) seen a resurgence of scholarly attention from social scientists in a variety of disciplines. With the opening chapter, Joel M. Podolny, Rakesh Khurana, and Marya Hill-Popper argue that the study of leadership has gone awry because scholars, consultants, and the popular press have been too consumed by the notion that leadership is important because of its impact on organizational performance. Because there has been so much difficulty linking leadership to the economic outcomes of firms, the authors argue that leadership research should once again return to its intellectual roots. The early work of scholars such as Weber, Barnard, and Selznick was not primarily concerned with the concept of leadership because of its ability to explain economic performance, but as a vehicle that could infuse purpose and meaning into the lives of individuals. Therefore, as a first step toward putting "meaning" back into leadership, Podolny, Khurana, and Hill-Popper propose that organizational researchers turn to linguistic analysis as an underutilized but potentially important tool. By coding the grammar and structure of responses from organizational participants, the authors illustrate how meaning can be discerned from action that is directed toward a broader ideal and action that is pursued in relationship with other members of a community. With these and other tools, they argue that the study of leadership might be productively returned to the creation and maintenance of meaning in organizations.

In the second chapter, J. Richard Hackman and Ruth Wageman examine leadership at the team level. Like Podolny, Khurana, and Hill-Popper, they acknowledge that the influence of team leaders tends to be exaggerated. In fact, they specifically outline the technological, organizational, and contextual constraints

that can often attenuate the impact of team leader behavior. However, even with these constraints, Hackman and Wageman argue that many important options remain open to the group leader. They note the special importance of three types of decisions that leaders make: (a) what kind of team to create; (b) how to structure the team; and (c) how and when to actively coach the team as it proceeds with its work. Although leaders' decisions about such matters often are made implicitly rather than deliberately, the authors argue that explicit consideration of these decisions can substantially influence the likelihood of group success.

At this point, the volume turns to the interpersonal issues of trust, negotiation, and injustice. J. Mark Weber, Deepak Malhotra, and J. Keith Murnighan develop a new perspective on the development of interpersonal trust. They note that most behavioral scientists have accepted a rational perspective on trust development in which parties initially take small risks to test the trustworthiness of the other side, and gradually increase their risks as these acts of trust are reciprocated. In contrast, Weber, Malhotra, and Murnighan cite research and theory that large acts of trust, that entailed greater risk, lead to more frequent (and more sizable) acts of reciprocity and greater mutual benefit. They develop a motivated attributions model of trust development, showing how, for example, dependent parties may actually ameliorate the anxiety associated with dependence by perceiving others as trustworthy. They then explore the implications of this new perspective on trust for interpersonal, inter-firm, and international relationships.

In the fourth chapter, Laura J. Kray and Leigh Thompson explore the role of gender differences in negotiation. They examine three major questions concerning gender and negotiation: (1) do gender differences exist?; (2) if they do exist, why?; and (3) are there strategies and contexts that augment or reduce gender effects? A central theme of this chapter is that gender stereotypes are very pervasive and powerful in influencing how negotiators perform, what is expected of negotiators, and how negotiations are experienced by both men and women. On the one hand, the dominant stereotype of a successful negotiators is comprised of mostly masculine traits and these stereotypes often inhibit the performance of women at the bargaining table. On the other hand, Kray and Thompson find this is not always the case. When gender stereotypes are blatantly activated, they can provoke psychological reactance in which women will perform in a superior manner. In addition, by instilling a belief that negotiating ability is highly malleable, female negotiators are able to overcome traditional stereotypes. By examining these and other findings, Kray and Thompson conclude that women and men are equally capable, though typically different, in how they create and claim value in negotiations.

For the fifth chapter, Daniel P. Skarlicki and Carol T. Kulik review the available research on third-party reactions to employee mistreatment. Although there is an enormous literature on people's reactions to injustice, most of this literature takes a first-person or victim-centered approach. However, mistreatment is often observed directly and indirectly by a wide variety of others both inside and outside the organization, and these reactions are important to both employee well-being and the reputation of the firm. Skarlicki and Kulik show that others' reactions to injustice are not just a weaker form of actors' responses to inequity. They have many unique properties based on third-party attributions as well as the transmission of information across interpersonal networks. The many disparities and similarities of third-party as opposed to victim reactions to injustice are outlined, along with an integrative model proposed by the authors.

The next two chapters address cross-cultural differences and their role in interpersonal relations in organizations. Catherine Durnell Cramton and Pamela J. Hinds discuss cross-cultural differences in the context of internationally distributed work teams. They note that international teams are composed of two or more collocated subgroups, thereby differing in both geography and culture. They also note that there is a natural tendency for tensions to coalesce around differences or "faultlines" in groups, thereby creating a strong push toward ethnocentrism. They posit that ethnocentrism – a bias toward one's own subgroup and against other subgroups – along cultural and geographic faultlines is a natural but detrimental tendency in internationally distributed work. Although previous research on this topic has focused almost exclusively on the deleterious consequences of such ethnocentrism, Cramton and Hinds suggest that more positive outcomes can be developed, based on cross-national team learning, and they present a set of conditions that will facilitate this process.

Jeffrey Sanchez-Burks then describes a key cultural difference that sets Americans apart from much of the world. Through historical analysis and a series of experiments, he demonstrates how Americans maintain an impersonal (though pleasant) style in their dealings within work as opposed to non-work relationships. Called the "Protestant Relational Ideology," such a distinction between work and non-work settings is not so pronounced in other societies, and not as strong within subgroups of Americans who do not share a Protestant background or ideology. In fact, Sanchez-Burks convincingly shows how American culture is an international anomaly in its work relationships. He also demonstrates how this anomaly can be a source of problems when U.S. organizations do business abroad, as well as a serious concern for managing an increasingly multicultural workforce at home.

Closing this volume of *ROB* are two chapters that deal with the strategy and structure of organizations. Both deal with changes in the organizational

environment over time and how such changes affect the capabilities and outcomes of organizations.

Donald C. Hambrick, Sydney Finkelstein, Theresa S. Cho, and Eric M. Jackson build a case against the now widely held notion, based on neo-institutional theory, that organizations have been becoming more homogeneous over time. Although institutional theory has posited such a pattern of isomorphism, Hambrick and his colleagues note that all the theoretical predictors of isomorphism have moved in the opposite direction from what was anticipated by neo-institutional theorists. As a result, not only has organizational heterogeneity been increased in recent decades, but a reduction in institutional pressures has brought increased managerial discretion to many industries. Executives are no longer constrained to a limited set of choices that mirror what is seen as legitimate. With the reduction in institutional pressures, bolder actions can be taken; and with less pressure to conform, there are greater opportunities for managers to select from a wider set of options, thus increasing their discretion. Hambrick, Finkelstein, Cho and Jackson argue that this increase in managerial discretion has not only led to a wide disparity in economic outcomes for organizations; it has contributed greatly to the romanticization of CEOs that occurred during the past two decades.

In the final chapter, William P. Barnett and Elizabeth G. Pontikes argue that an organization's competitive ability is history-dependent, so that each organization's competitiveness at a given point in time hinges on the organization's historical experience leading up to that point. Their theory, labeled *Red-Queen Competition*, is based on the idea that competition both de-selects less-fit organizations and stimulates organizational learning. Organizations that have survived competition are therefore more fit, and in turn they generate stronger competition. Because of this ongoing selection process, organizations are more viable if they have historically experienced competition. Their rivals, however, are also stronger competitors if they have survived a history of having competed. Thus, relative to its rivals, an organization may appear to be unchanged – hence the reference to the Red Queen from Lewis Carroll's *Through the Looking Glass*, who explains to the running Alice why her position remains stable relative to others who also are running. In essence, Barnett and Pontikes' Red Queen theory describes how processes that are now largely understood at the organization level may ultimately be driven by an organization's historical path through competition. As a result, ecological processes can be more important to organizational development than scholars have previously acknowledged, inviting a reappraisal of the liabilities of aging, the relationship between positional and capability-based advantages, and many of the assumptions of strategic management theory.

As a collection, this year's set of essays provides a healthy advance for the field of organizational behavior. These essays are both interesting and provocative.

They are examples of serious scholarship that extend and challenge our current thinking about organizations and the behavior of its participants. In our view, many of these chapters will take their place among the best presented by the *Research in Organizational Behavior* series. At the very least, they amply demonstrate the extent to which organizational science remains a vital and thriving discipline.

Barry M. Staw
Roderick M. Kramer
Editors

REVISITING THE MEANING OF LEADERSHIP

Joel M. Podolny, Rakesh Khurana and Marya Hill-Popper

ABSTRACT

During the past 50 years, organizational scholarship on leadership has shifted from a focus on the significance of leadership for meaning-making to the significance of leadership for economic performance. This shift has been problematic for two reasons. First, it has given rise to numerous conceptual difficulties that now plague the study of leadership. Second, there is now comparatively little attention to the question of how individuals find meaning in the economic sphere even though this question should arguably be one of the most important questions for organizational scholarship. This chapter discusses several reasons for the shift, arguing that one of the most important has been the lack of a clear definition and operationalization of meaningful economic activity. As a first step to redressing this shift, we offer a definition and operationalization of meaningful action, and we propose a typology of executive behaviors as a foundation for a systematic exploration of the meaning-making capacity of leaders. We conclude with a discussion of the relationship between the capacity of leaders to infuse meaning and the capacity of leaders to impact on performance.

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INTRODUCTION

Through the 1960s, leading organizational theorists regarded the concept of leadership to be worthy of serious intellectual inquiry. Scholars such as Weber, Barnard and Selznick believed that one could not fully understand what those in organizations believe or how they behave without reference to the presence (or absence) of organizational leaders. Leaders are the source of institutionalized values which, in turn, condition the actions of organizational members. Yet, for at least the past 30 years, the concept of leadership has been subject to criticism and marginalization by the dominant organizational paradigms and perspectives.

These criticisms have largely followed two related lines. One is that leadership, as a concept, is too loosely defined and is ultimately an amalgamation of behaviors and attributes that can be more readily defined and linked to performance when they are analytically decoupled (Hackman, 2002; Kerr & Jermier, 1978; Meindl, Ehrlich & Dukerich, 1985; Pfeffer, 1977). While this particular criticism has been made forcefully by scholars who have sought to de-emphasize the leadership construct in the study of organizations, the criticism actually can be traced to advocates of the leadership construct in the 1960s and 1970s. Scholars such as Bennis (1959) and Stogdill (1974) bemoaned the lack of any agreement as to the defining elements of the leadership construct.

A second criticism, which has its origins in an influential study by Lieberson and O'Connor (1972), is that little variance in organizational performance can be systematically attributed to differences among individuals, and to the extent that differences in performance outcomes cannot be ascribed to individual differences, then leadership by definition cannot matter. Lieberson and O'Connor decomposed the over-time performance of 167 companies into the variance explained by macro-economic conditions, industry, company, and finally the organization's chief executive. Although the impact of the chief executive varied by industry (from little to none), external factors such as the type of industry and the organization's inherited characteristics accounted for far more variance than any "leadership" effects.[1] Around the same time, Cohen and March (1974) conducted a detailed examination of 46 college and university presidents and concluded that leadership is principally mythological. Likening the role of an organization's leader to the driver of a skidding car, they argue that there is little a leader can do to influence organizational outcomes, and "whether he is convicted of manslaughter or receives a medal for heroism [is] largely outside his control" (Cohen & March, 1974, p. 203). Numerous empirical studies have since supported Cohen and March's basic conjecture that factors outside the control of any single individual drive organizational performance (for a review and critical assessment of these studies, see Thomas, 1988, pp. 388–395; Wasserman, Bharat & Nohria, 2001).

The conclusion that individuals have an extremely limited capacity to impact organizational performance became a pillar of the dominant macro-organizational paradigms that emerged in the 1970s. Resource dependence scholars (Pfeffer, 1987; Pfeffer & Salancik, 1978) have contended that organizational action can be understood, not as an exercise of individual agency, but as a response to the demands of the external actors upon which the organization depends for resources and support. Sharing a similar theoretical premise, the new institutional perspective (Powell & DiMaggio, 1991) has maintained that external actors impose very specific expectations on what the organization should be doing. These external expectations can be so strong that they generate a template of strategies and structures that an organization mimics on the basis of presumed legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Finally, organizational ecologists have argued that internal and external demands for accountability and reliability place tremendous constraints on the ability of individuals to direct organizational change so that the change improves the organization's fitness with its environment. Leaders can certainly make changes to the organization, but the combined effects of uncertainty and the constraints implied by the reliability and accountability demands mean that leadership has at most a tenuous impact on the success and failure of the organization (Carroll & Hannan, 2000; Hannan & Freeman, 1989).

There is a micro-organizational literature on leadership that can be traced back to Bales and Slater's studies (Bales, 1950; Bales & Slater, 1955) of emergent leadership behavior within small teams. In contemporary micro-organizational scholarship, the perspective of this literature is reflected in Hackman's (2002) research and in Hambrick and Finkelstein's (1987) studies of top management teams, which do reveal the impact of leadership behavior on the performance of teams. Pfeffer and Davis-Blake (1986), to take another example, found that NBA teams improve their performance after hiring a new, experienced coach. However, such research does not challenge the conclusions of Lieberson and O'Connor or Cohen and March, who are clearly focused on the significance of leadership for performance outcomes at a macro level, where the leader's success is thought to depend on his or her ability to impact the behavior of individuals with whom the leader does not have an ongoing personal relationship. Moreover, we believe that it is safe to assert that in the popular imagination, instances of great leadership are thought to occur in social contexts that are on a larger scale than a team or group.

In fact, far from contradicting these two major critiques of the leadership construct, the micro-organizational behavior literature reinforces these critiques by offering a view of leadership as an attribution process (Calder, 1977; Pfeffer, 1977). Rather than leadership being a determinant of superior organizational performance,

the level of organizational performance determines the perception of leadership (Meindl, Ehrlich & Dukerich, 1985). When individuals observe high-performance organizations, they assume that leadership must be present. In this sense, the belief in leadership is essentially one instantiation of the fundamental attribution error (Emrich, 1999; Weber, Camerer, Rottenstreich & Knez, 2001).

Of these two major critiques of leadership, we believe that the second – that individuals can only have a limited impact on organizational performance – is a more serious challenge to the study of leadership than the first – that leadership is a poorly defined analytical construct. If the actions of individuals do not matter to organizational performance, then it necessarily follows that the actions of a leader cannot matter to organizational performance, regardless of whether a more adequate definition of leadership emerges from the field.

Having briefly reviewed these two critiques, we would now like to draw attention to a fundamental assumption that is common to both: if leadership does not directly impact organizational performance, then leadership does not matter to organizational life. In effect, the relevance of leadership as an organizational phenomenon is circumscribed by its direct impact on performance. Critics of leadership research are not the only ones who seem to assume that the importance of leadership should be couched in terms of its direct impact on performance. Such an assumption certainly resonates with much work in neo-classical economics, in which a social phenomenon's importance is judged by its impact on economic outcomes. This assumption also resonates with what many see as the mission of business schools – to develop leaders who should ultimately judged on their ability to improve organizational performance (see Pfeffer & Fong, forthcoming). Even some of the strongest advocates of leadership as a construct take as a given that leadership is important *because* it is important to performance. Titles such as *Leadership and Performance Beyond Expectations* (Bass, 1985), *The Leadership Factor* (Kotter, 1988) or *The Transformational Leader: The Key to Global Competitiveness* (Tichy & Devanna, 1986) exemplify attempts to make explicit links between leadership and performance. While there has been some work that moves beyond the impact of leadership on performance, it remains largely the case that a concern with leadership is inseparable from a concern with performance.

The central premise of this chapter is that the study of leadership within organizational theory went awry as this assumption seeped into the disciplinary concern with leadership. If one revisits the work of scholars such as Weber (1946, 1978), Barnard (1968), and Selznick (1984), it becomes clear that they were not concerned with leadership because of the concept's ability to explain economic performance. Instead, leadership was deemed important because of its capacity to infuse purpose and meaning into the lives of individuals. Although the issue

of economic performance is not irrelevant to their examination of leadership, it remains of secondary importance. Accordingly, if we are to judge the importance of leadership to organizational life, we need to assess the importance of leadership in terms of its ability to infuse purpose and meaning into the organizational experience.

However, this observation begs several questions: (a) If the concept of leadership was initially couched in terms of its significance for meaning-making, why and when did the concept become decoupled from meaning-making? (b) How does one assess the extent to which a leader infuses action with meaning? and (c) What is the connection between meaning-making capacity and economic performance? These questions are the central focus of this chapter. Before we address them, however, a review of the literature pertaining to the meaning-making capacity of leaders is in order.

LEADERSHIP AS MEANING-MAKING

The preoccupation of classic social theorists with the meaning-making capacity of leaders can be traced to an even more fundamental concern with the uneasy relationship between the capitalist mode of exchange, on the one hand, and the state of modern lived realities, on the other. Early 19th century scholars, while embracing modernity, also recognized its implications for the human spirit and creativity. They were troubled by the emerging tensions between traditional meaning-making institutions, such as religion, family, and community, and modern institutions, such as the bureaucratic organization and the market economy. Tonnies (1957) dichotomized the life of community (*Gemeinschaft*) and the transactional life of society (*Gesselschaft*); Durkheim (1947a) described the transition from mechanical to organic solidarity not as a smooth, gradual process, but a discontinuous and potentially anomic process that disconnected individuals from the traditional institutions that infused value into their lives. Finally, Weber (1946, 1978) believed modernization implied an ever-increasing rationalization of all aspects of life, as the dry logic of bureaucratic institutions steadily replaced the meaning systems derived from the wonder and enchantment of religion, respect for tradition, or the awe of charisma (see especially Weber, 1946, pp. 137–143, 155; Weber, 1978, pp. 1121–1157). According to Weber, although it was true that the “ghost of dead religious beliefs” continued to animate industrial capitalism in the form of social habits like delayed gratification, thrift, and a sense of calling, modern society was rapidly constructing an “iron cage” of impersonal rationalism which would suffocate the human spirit and deprive human existence of meaning (Weber, 1992, pp. 181, 182).

While the concern with the loss of meaning was common across these theorists, Weber stands out from the others in looking to "extraordinary," charismatic individuals as a counter to the inevitable decline in meaning. Durkheim (1951), for example, looked to professional associations to provide individuals with a shared and common meaning; the problem, of course, was that there was little evidence that these professional associations could equal the meaning-making capacity of the more traditional institutions, such as family or religion. In contrast, Weber (1946) could point to extraordinary individuals who were able to bring an alignment between the actions that individuals undertook and the meaning that they sought (see pp. 245–252 on charismatic authority and pp. 79, 80 on political leadership). For example, in his discussion of the emergence of ascetic Protestantism, Weber details how John Calvin led his parishioners to adopt new attitudes in which worldly activity took on a religious value; manual labor and the pursuit of profit through business enterprise became infused with meaning, and, as a byproduct, traditional Christian suspicions toward wealth were reconciled with the requirements of capitalism (Weber, 1992).

Almost by definition, the phenomenon of charismatic leadership implies that followers come to perceive their actions as coupled to valued aspects of their lives. As Shils would later comment (1982, p. 122):

> The charismatic quality of an individual as perceived by others, or himself, lies in what is thought to be his connection with (including possession by or embodiment of) some *very central* [italics added] feature of man's existence and the cosmos in which he lives. The centrality coupled with intensity, makes it extraordinary. The centrality is constituted by its formative power in initiating, creating, governing, transforming, maintaining, or destroying what is vital in man's life.

The close relationship between charismatic leadership and meaning is rooted in the fact that both are concerned with the contribution to and reproduction of a social order that is inherently valued by the individual.

For Weber, charismatic leadership is essentially antithetical to organization and therefore an inevitably transitional phenomenon (1946, pp. 248–252). In order for the followers of a charismatic leader to feel that their actions have impact, the leader must organize those followers, and if this organization is to be effective, the leader will need to put in place structures and routines that necessarily imply the routinization of action. The meaning imbued in the original charismatic movement becomes embedded in the structures and practices of a rational, bureaucratic organization. Over time, Weber argued, routinization initiates a process that neutralizes and then finally obliterates the original values that led to the development of the organization in the first place (Weber, 1978, pp. 1121–1157).

Organizational scholars of the early to mid-20th century, such as Barnard (1968), Roethlisberger (Roethlisberger & Dixon, 1939), Mayo (1960), and Homans (1950), questioned the inherent incompatibility between the development of organization and the infusion of values and purpose. The primary reason that these scholars did not see as strong a tension is that they did not see bureaucracy as having unquestionably superior organizational properties. They argued that the survival of an organization depends on the willingness and ability of its members to adjust in a coordinated fashion to any environmental change that threatens the existence of the organization. This desire and capacity to respond in a coordinated fashion cannot be induced by bureaucratic structures or strong economic incentives. Rather, it depends on the extent to which those in the organization internalize a common purpose and perceive the connection between their actions and the organization's ability to fulfill this common purpose.

In *The Functions of the Executive*, Barnard (1968) asserts that it is the role of the leader to create a common awareness of and belief in the organization's purpose, without which there would be insufficient effort to ensure the organization's survival. Barnard denied the adequacy of economic incentives for fostering a level of effort sufficient to ensure the long-term survival of the organization. "It seems to . . . be definitely a general fact that even in purely commercial organizations material incentives are so weak as to be almost negligible except when reinforced by other incentives" (1968, p. 144). For Barnard, the survival of the organization rested on the executive's capability in establishing a common purpose as a basis for cooperation and creating a system for communicating that purpose.

Barnard thus offers a view of organization in which there is congruence between the creation of meaning and purpose, on the one hand, and efficient and effective organization, on the other. In establishing this congruence, Barnard seems to collapse the concepts of purpose and meaning, assuming that the former is tantamount to the latter. Such an assumption represents a departure from Weber. As just noted, for Weber, meaningful action is necessarily action that supports "vital" aspects of the individual's life. Such vitality need not necessarily be an aspect of organizational purpose; purpose can be experienced as an external constraint or force compelling the individual to make choices that the individual regards as inconsistent with his or her identity. The difference is perhaps best reflected in a vignette that Barnard offers about a telephone operator's adherence to the moral code of her organization (1968, p. 269):

> I recall a telephone operator on duty at a lonely place from which she could see in the distance the house in which her mother lay bedridden. Her life was spent in taking care of her mother and in maintaining that home for her. To do so, she chose employment in that particular position, against other inclinations. Yet she stayed at her switchboard while she watched the house

> burn down . . . She showed extraordinary "moral courage" . . . in conforming to a code of her organization – the moral necessity of uninterrupted service.

The operator certainly feels the purpose of the organization in choosing to remain at her station, but it is hard to believe that the activity carries more meaning than saving the life of the loved one whose care provided the initial impetus for taking the job. As we shall discuss in more detail later in this chapter, one unfortunate consequence of confounding meaningful action and purpose-imbued action is that it leads scholars to assume that strong culture organizations are necessarily infused with meaning. As a number of ethnographic studies have shown, strong culture organizations can often be ones in which individuals have the greatest difficulty reconciling action with their own identity and, accordingly, find themselves engaging in action that they do not regard as meaningful (e.g. Kunda, 1992; Martin, 1992; Van Maanen, 1991; Weeks, 2004).

Selznick's work on organization and leadership echoes Barnard's, though Selznick's conception of meaning is closer to Weber's. Like Barnard, Selznick conceptualizes an organization as a cooperative system. Selznick describes the dual nature of organizations as both economic entities, with the goal of achieving technical efficiency vis-à-vis the process of production, and as "adaptive social structures" whose fundamental goal is organizational survival (Selznick, 1984). For Selznick, an organization is, at a minimum, "a lean, no-nonsense system of consciously co-ordinated activities. It refers to an *expendable tool*, a rational instrument engineered to do a job" (1984, p. 5). However, an organization becomes an institution when it is "infuse[d] with values beyond the technical requirements of the task at hand" (Selznick, 1984, p. 17). It is the role of leadership to turn an organization into an institution, by infusing the organization with values and creating a distinct organizational identity and sense of purpose that is in fact internalized by organizational members as meaningful.

Selznick identifies four key activities of leaders: definition of institutional mission and role; institutional embodiment of purpose; defense of institutional integrity; and the ordering of institutional conflict (1984, pp. 62–64). In each of these activities, balancing internal and external constraints is central.[2] To the degree that the leader successfully executes the four key activities, the subordinate's participation in organizational life gives rise to a distinctive set of valued commitments. The subordinate comes to regard his or her actions as meaningful in so far as those actions further the organizational purpose.

To summarize, Weber, Barnard, and Selznick were all concerned with leadership as a phenomenon because of the importance of leaders for creating meaning. There are, however, important differences between the three scholars. For Weber, leadership is almost necessarily a non-organizational phenomenon, since the

rationalization implicit in organization undercuts meaning. For Barnard and Selznick, leadership is an organizational phenomenon, but Barnard does not distinguish between adherence to an organization's purpose and an alignment of purpose with the vital aspects of an individual's life. Later in this chapter, we shall return to some of these scholars' ideas, especially when we seek to develop more definitive conceptions of leadership and meaning for research going forward. For now, we simply wish to establish the existence of a classic tradition in which leadership is significant primarily because of its importance for meaning creation.

DECOUPLING THE JOINT FOCUS ON LEADERSHIP AND MEANING

Having underscored that leading organizational scholars identified leadership with meaning-making and having noted these and other scholars' concern with loss of meaning in modern organizations, we can now return to answering the first of the three questions posed in the introduction: if the concept of leadership was initially couched in terms of its significance for meaning-making, why and when did the concept become decoupled from meaning-making? Our answer is necessarily a speculative exercise in intellectual history. However, we believe that the reason for the departure can be traced to four particular developments in post-World War II organizational theory.

If, as social theorists since Weber have argued, a central tendency of modernity has been the extraction of meaning from action, and if this tendency has become manifest across organizations, then it should not be surprising that scholars should no longer see meaning-making as central to organizational life. The fact that meaningful action is less present in the typical organization does not necessarily imply that it is any less important to understand how meaning in organizations is created. However, it is easy to understand how interest in a phenomenon can wane when that phenomenon is not observed.

A second reason for the declining interest in the meaning-making capacity of leaders is that social processes involving meaning-making are difficult to quantify and operationalize. Since the early 1970s, organizational theory has increasingly concerned itself with phenomena that lend themselves to more straightforward quantification and statistical analysis (Sørensen, 1998). Against this backdrop, a phenomenon such as meaning-making seems less useful as an analytical construct than the more easily quantified indicators of performance. Put more crudely, return on investment (ROI) makes for a more tractable dependent variable than meaning.

A third and related reason for why organizational scholarship emphasizes the connection of leadership to economic performance over other more subjective

variables such as meaning is the shift in the location of organizational research in universities. Today, most organizational research takes place in business schools (Pfeffer, 1997, p. 13; Walsh, Weber & Margolis, 2003, p. 871). Since performance is arguably the central concern for business organizations in general, the desire to elucidate the causes of performance is very strong in the marketplace of ideas. Walsh, Weber and Margolis (2003), for example, found that organizational research over the past decade has increasingly focused on economic performance (or some variant of it) as a dependent variable. In explaining this trend, we note that Pfeffer and Fong's (forthcoming) comment about business school students applies equally well to faculty: business school faculty are social beings – they are subject to social influence, to learning from their environment about what is important, and to the frames provided by their organization (see also Pfeffer, 1997, pp. 14–16; Salancik & Pfeffer, 1978). Faculties have responded to messages about the importance of performance as a dependent variable and, as a result, their research emphasizes exactly what one might expect.

Changes in institutional theory represent a fourth cause of decoupling a focus on leadership from a focus on meaning. Of all the schools of organizational thought, the new institutional theory of organizations comes closest to being a perspective that puts meaning at the center of its conceptual framework. Like Selznick's early institutionalism, the new institutionalism focused attention on the link between organizational processes and how they came to be understood by organizational actors. However, perhaps as part of the general backlash against Parsonsian functionalism in the 1960s, new institutional theory supplanted the idea of meaning-making with the more cynical notion of myth creation (Meyer & Rowan, 1977). Those at the top of the organization did not facilitate an organization's survival by infusing it with a meaning that transcended short-term economic performance. Rather, they improved the prospects of long-term survival by engaging in symbolic behavior that buffered the organizational core. Whereas Selznick saw the displacement of an organization's formal goals by those which are more general and directed toward organizational survival as a natural part of institutionalization, new institutional theorists interpret this action as if it were an indication that an organization has sold out its goals in order to survive and/or grow.

A few examples of the way new institutional scholarship looks behind the "myths" of organizations might serve to clarify our argument. In his study of a California community college, Clark (1960a, b) showed that most students saw the community college as a continuing education preparing them for transferring to a four-year college. However, because of the students' marginal academic abilities much of the course work was in fact a repeat of the last two years of high school.[3] Neither the teachers nor the students overtly acknowledged that the community

college course work was an attempt to supplement and draw attention away from failing high schools. In fact, much of the remedial nature of the community college was guaranteed and supported by a web of individuals and organizations in the community, including the teachers from the failing high schools who also worked at the community college. Clark's account suggests that community college merely served to shield students from the reality that their high schools had failed to adequately prepare them for college.

More recently, Dobbin and colleagues' research on equal opportunity and diversity programs suggests that these programs are decoupled from core organizational goals and routines; they serve a largely symbolic, not substantive, role. Studying the creation of equal opportunity offices and programs following the Civil Rights Act of 1964, Dobbin and Sutton (1998) find that adoption was driven not by what organizational leaders regarded as meaningful but rather by the activity of management specialists in response to new and highly ambiguous federal legislation. Once in place, the programs remained decoupled, symbolic entities that allow the organizational core to continue human resource management routines in an unchanged fashion. The shift in the rhetorics used to justify the programs is one sign of the symbolic role they played (Dobbin & Sutton, 1998; Kelly & Dobbin, 1998). Initially couched in terms of legal compliance, the programs were then justified based on efficiency rationales (Dobbin & Sutton, 1998). In a second rhetorical shift, antidiscrimination programs were reframed as diversity management programs (Kelly & Dobbin, 1998). Finally, examining the impact of diversity programs in changing the racial composition of management ranks, Dobbin and colleagues find that the programs' effectiveness is significantly greater among firms subject to federal affirmative action law, as compared to firms subject only to the more general equal opportunity law (Kalev, Dobbin & Kelly, 2004). Absent regulatory force, the programs seem to have little impact on core organizational practices.

A similar interpretation is given to organizational attempts to provide members with a sense of broader purpose or to explicitly articulate organizational values. Khurana (2002), for example, sees this as part of a broader trend toward elevating business to an activity that transcends the profane task of money-making and infusing it with a moral dimension. Corporations' significance for their members, Khurana argues, "has become quasi-religious, as suggested by the importation of terms such as *mission* and *values* into the contemporary corporate lexicon" (Khurana, 2002, p. 71). The implication is that the changes are more symbolic than real.

At the same time that some institutional theorists were reinterpreting meaning-making as myth creation, other institutional theorists were arguing that the meaningless pursuit of economic efficiency in the 20th century had actually emerged as a culturally meaningful social end. Whereas Weber's Calvinists

regarded the ascetic accumulation of capital as meaningful because it provided information as to whether they were predestined for heaven, those living in the 20th century came to regard efficient economic organization as a valued end regardless of the output or purpose of the organization. Efficiency and rationalism are thus seen as part of a specific cultural system of measuring value (Bell, 1976; Smelser, 1995).

Roy (1997) and Marchand (1998), for example, argue that large corporations came to be accepted as legitimate, not because they performed better than smaller firms, but because scale economies were rationalized as central to operating efficiency, and efficiency was simply a taken-for-granted social good. If the pursuit of efficiency is necessarily meaningful, then Selznick's (1984) distinction between routine administrative activities and the institutional function of leadership necessarily breaks down, because what is profitable becomes defined as vital and central to an individual's life. A focus on leadership and a focus on economic performance become inseparable.

As we see it, the problem with both trends in institutional theory is that they water down any distinction between meaningful and meaningless activity and, as a consequence, make "meaning creation" a meaningless notion. Meyer and Rowan (1977) provide no basis upon which to distinguish a meaningful purpose from a meaningless myth. Similarly, if practically any economic action can be rationalized as being in the pursuit of economic efficiency, and if economic efficiency is a valued end in itself, then any action can be understood as meaningful. Institutional theory assumes that the ritualistic and symbolic activity at, for example, a Mary Kay annual meeting is simply mythic activity designed to fool the legions of saleswomen that what they are doing is meaningful when in fact it is not; or, institutional theory assumes that the pervasiveness of the market culture ensures that an investment banker can find as much meaning in her work as a priest.[4] Both assumptions give rise to a vacuous notion of meaning. In order for individuals to find meaning, the possibility of meaningless activity must be present to them.

Of course, we cannot redress these turns in institutional theory unless we develop an operationalization of meaningful activity that does allow one to distinguish what is meaningful from what is not. That is, to the extent that one cannot assess the creation of meaning, then one is essentially replacing the difficult-to-operationalize construct of leadership with the difficult-to-operationalize construct of meaning-making. This leads us to the second question posed at the outset of this chapter: how does one assess the extent to which a leader infuses action with meaning?

To answer this second question, we need to realize three objectives. We need to offer a definition of meaningful action. We then need to provide an empirical methodology for ascertaining whether action in a particular context can be interpreted in a way that conforms to the conception of meaning. Finally, we need

to specify the scope of leadership behaviors that are of at least potential relevance to the infusion of meaning.

DEFINING MEANINGFUL ACTION IN ORGANIZATIONS

Our earlier review of Weber, Barnard and Selznick provides some indication as to how meaning might be defined; their work suggests that meaningful action is action that is internalized as having significance beyond mere technical efficiency – as being connected to vital aspects of one's life. However, unless the term "vital" is unpacked, it is not clear that the term has any greater analytical specificity than meaning.

We contend that there are two ways in which the vital aspects of one's life and hence meaning can be conceptualized. Each can be considered a component of a full conception of meaningful action in organizations. One component draws on German social theory and emphasizes that meaning is created when action is directed toward a broader ideal; the other component draws on French social theory and emphasizes the importance of relationships to meaning. Let us consider each component in turn.

The German conception of meaning originates with Hegel's (1952) concept of human action as oriented toward a *Geist* or ideal. Weber (1964) uses the term "substantive rationality" (*wertrational*) to describe this orientation and contrasts it with "formal rationality" (*zweckrational*).[5] Whereas action guided by formal rationality involves simple means-end calculations, action guided by substantive rationality implies that action originates from "a conscious belief in the absolute value of some ethical, aesthetic, religious, or other form of behavior, entirely for its own sake and independently of any prospects of external success" (Weber, 1964, p. 115). In modern society, these aspects of life may be in tension with one other. The tension between substantive and formal rationality is most apparent when aspects of society that are considered sacred are profaned by equating their purported value with the price these products can command in the course of commercial exchange. Zelizer, for example, has described the tensions between the market for child labor and the substantive values of childhood as a sacred period in human life, as well as between the market for life insurance and the normative resistance against such a product, resistance rooted in the notion of human life as sacrosanct and priceless (Zelizer, 1979, 1985). More recently, these tensions can be identified in efforts to establish commercial blood banks, the debate over public funding for stem cell research, and prohibitions against the sale of human organs (e.g. Healy, 2004).

The second component of meaningful action can be traced at least to Rousseau, who recognized the importance of social interconnectedness and communal relations in infusing our lived experience with meaning. In *The Social Contract and Discourses*, Rousseau writes (1993, pp. 142, 143):

> . . . every man is virtuous when his particular will is in all things conformable to the general will, and we voluntarily will what is willed by those whom we love . . . [in this way,] they might at length come to identify themselves in some degree with this greater whole, to feel themselves members . . ., and to love it with that exquisite feeling which no isolated person has save for himself . . .

Rousseau, in effect, contends that the quest for meaning is attained through social communion, a process in which an individual realizes herself through achieving solidarity in transparent relationships with others. Durkheim has a similar understanding of the individual as finding meaning through his or her connections to others, though Durkheim (1947b) replaces Rousseau's conception of the "general will" with his own conception of the *conscience collective*. Prior to the secularization of modern life, religion played this meaning-making role by providing a set of "beliefs and practices which unite into a single moral community . . . all those who adhere to them" (Durkheim, 1947b, p. 62). Absent collective life, the individual cannot distinguish between ends which are healthy and those which lead to anxiety and anomie. This standpoint is identical to that set out in Durkheim's discussions of the problem of modernity for human existence in both *Suicide* (1951) and *The Division of Labour* (1947a). In modern society, Durkheim saw organizational life replacing the traditional meaning-making role of religion. The rules of one's occupational role occupy the same imperative that religion once did.

> They force the individual to act in view of ends which are not strictly his own, to make concessions, to consent to compromises, to take into account interests higher than his own. Consequently, even where society relies most completely upon the division of labor, it does not become a jumble of juxtaposed atoms, between which it can establish only external transient contacts. Rather the members are united by ties which extend deeper and far beyond the short moments during which the exchange is made. Each of the functions that they exercise is, in a fixed way, dependent upon others, and with them forms a solidary system (Durkheim, 1947a, p. 228).[6]

As was the case for Rousseau, Durkheim proposes that for action to be meaningful, the enactment of values or purpose needs to occur in the context of community.

Though Selznick does not draw a direct connection between his conception of meaning and these two traditions, the emphases of both are implicit in the activities that Selznick associates with the institutional function of leadership. In discussing the definition of institutional mission and role, Selznick observes (1984, p. 65):

> The institutional leader in his role as goal-setter must confront all of the classic questions that have plagued the study of human aspiration. When is an aim, such as "happiness," specific enough to be meaningful? What is the right role of reason, and of opportunism, in the choice of ends? How may immediate practical goals be joined to ultimate values?

The connection to the German conception of meaning should be apparent in the above quote. At the same time, the other three leadership functions – the institutional embodiment of purpose, the defense of institutional integrity, and the ordering of institutional conflict – represent important aspects of transforming the collection of individuals in the organization into a community that finds meaning in their continuing pursuit of common objectives. Selznick writes (1984, p. 16):

> To the extent that they are natural communities, organizations have a history; and this history is compounded of discernible and repetitive modes of responding to internal and external pressures. As these responses crystallize into definitive patterns, a social structure emerges. The more fully developed its social structure, the more will the organization become valued for itself, not as a tool but as an institutional fulfillment of group integrity and aspiration.

In linking the fulfillment of group integrity and aspiration to the development of community and social structure, Selznick evokes the French conception of meaning.

To summarize, our definition of meaningful action within organization has two components. An action is meaningful when its undertaking: (1) supports some ultimate end that the individual personally values; and (2) affirms the individual's connection to the community of which he or she is a part.[7]

OPERATIONALIZING MEANINGFUL ACTION IN ORGANIZATIONS

While we can draw on the German and French traditions for a two-component definition of meaning, in order to provide a concept of leadership as meaning-making that is analytically tractable, we must move beyond a definition and consider the issue of operationalization. We noted earlier our belief that scholarship on leadership moved away from a concern with meaning creation at least in part because meaningful action is so difficult to operationalize.

One could even argue that a concern with meaning defies operationalization, at least in so far as the term operationalization implies the construction of variables that are amenable to conventional quantitative analysis. If one can only understand the meaning of action through the empathetic comprehension of intentionality and context (what Weber (1964) called *verstehen*), then any distillation of a social context into reified variables potentially interferes with that understanding.

For example, given an objective of assessing the meaning of action, we would have to question the utility of any survey methodology in which participants are asked such questions as, "Do you find your work meaningful?" or "Does your work make you happy?" The answers to such questions hardly seem to lend themselves to elucidating the meaning that Weber (1992) identified in *The Protestant Ethic* or Selznick (1952) uncovered in *The Organizational Weapon*, his study of the Boshevik party's transformation from a voluntary organization to a "combat party."

Language as a Lens

We propose a methodology that does not rely on survey responses, but instead relies on the language that individuals employ for talking about work as an unobtrusive indicator of the meaning they derive from their experiences. Rather than focusing on *what* individuals say about work (e.g. "I am happy"), we draw on recent developments within the field of linguistics and contend that it makes more sense to focus on *how* individuals talk about their work. For example, consider the following two sentences that a worker might use to describe his experience of work:

(1) We feel considerable pressure to perform when we are at work.
(2) There is a lot of performance pressure for those who work here.

In terms of content, the two sentences express essentially identical content. Both reflect a sentiment of experienced performance pressure. However, there are differences in the pronoun references ("we" versus "those . . . here"). In comparison to the second sentence, the first sentence implies less distancing of the self from the others at work and less distancing of the self from the work experience. In the first sentence, the performance pressure is temporally bounded ("when we are at work"), whereas the second sentence does not imply a similar temporal bounding. More subtle, in the first sentence, there is a sense that the "we" exists before and after work; so while the performance pressure of work is temporally bounded, "we" is not. Finally, in the second sentence, performance pressure has become reified as a thing in the environment rather than a feeling that is "owned" by the participants.

While neither sentence allows us to conclusively assess the extent to which the experience of work is meaningful in the sense of being connected to ultimate ideals, the first sentence clearly reflects greater meaning in the sense that the individual is connected to others around him. Moreover, the fact that "performance pressure" has been reified in the second sentence is at least a clue that the pressure reflected in the second sentence is less likely to be connected to the self and therefore

almost necessarily what the self values. So, while one cannot conclusively make an inference about which sentence is more indicative that the worker finds his work to be meaningful, we would assert that sentence (1) is at least suggestive of greater meaning than sentence (2), and to the extent that sentence (1) is situated among more sentences that were similarly suggestive of the meaningfulness of work, we could in fact draw stronger inferences.

We believe this focus on grammar as an indicator of meaning can be justified on two grounds. First, there is research on the relationship between language and health outcomes that has found that the content of what people say and write yields few significant relationships to a variety of mental and physical health indicators, but that *how* people speak and write is associated with the health outcomes of interest (e.g. Campbell & Pennebaker, 2003; Pennebaker, 2002; Pennebaker & Graybeal, 2001). Psychologists, in particular, have turned their attention to what linguists call "particles" – linking words such as articles, pronouns, prepositions, conjunctions, and auxiliary verbs. Pennebaker (2002), for example, finds that disproportionate use of the first person singular pronoun "I" is associated with depression, whereas references to other people (e.g. by use of the first person plural "we") are disproportionately absent among depressed individuals. In related studies, Campbell and Pennebaker (2003) find that flexibility in using pronouns (e.g. diversity in use of pronouns across a body of written narratives) is associated with positive health outcomes. Summarizing the results of this work, the authors conclude: "Changes in writing styles were consistently associated with better health, whereas similarity in the content of writing was unrelated to health outcome. Closer analyses of the factors that defined writing styles indicated that particles, and in particular pronouns, predicted the health changes. Individuals who altered their individual and social perspectives from day to day were the participants most likely to benefit from the disclosure exercise" (Campbell & Pennebaker, 2003, p. 64). Obviously mental health and meaning are not identical constructs, and because this psychological work does not focus on how an individual's conception of self is (or is not) grounded in the experience of work, there are limits as to how much one can directly infer from this research to date. At the same time, this research is important in so far as it provides some justification for making inferences about meaning based on how individuals express themselves rather than on simple extrapolation from the content of what is expressed.

Further justification for a focus on how an individual communicates rather than what he or she communicates comes from the field of linguistics itself. Scholars such as Halliday (1994), Halliday and Matthiessen (1999) and Silverstein (2003) have increasingly turned their attention to understanding the connection between the language with which the individual describes his or her reality and the way

in which that reality is experienced. Matthiessen and Halliday (1997) express the premise guiding the focus on language: "Language does not passively 'reflect' or 'construct' some pre-existing reality. Language constructs reality; or rather, we, as human beings, construct reality in language. We do this through the metafunctional interplay of action and reflection: language both enacts interpersonal relationships and construes human experience." The link between language and experience is not one-to-one. In construing experience through language we have a range of lexical and grammatical options on which we can draw, and the choice of one particular means of expressing our experience over another is the process by which we construe our reality in a particular way.

Further below, we shall consider some of the systematic grammatical rules uncovered by linguists that can be useful in making inferences about the extent to which an individual finds meaning in his or her actions. However, before doing so, we believe that a few examples can help to make the case for the focus on language as a lens to uncovering meaning. For the purpose of this illustration, we draw on a few interviews from Studs Terkel's *Working* (1972), a book in which individuals from a broad spectrum of occupations provide the author with their personal reflections on their work. Terkel opens the book with an interview of a steel worker who reflects on the difficulty of finding meaning in manual labor (1972, pp. 1, 2):

> You can't take pride any more. You remember when a guy could point to a house he built, how many logs he stacked. He built it and he was proud of it. I don't really think that I could be proud if a contractor built a home for me. I would be tempted to get in there and kick the carpenter in the ass (laughs), and take the saw away from him. 'Cause I would have to be part of it, you know.
>
> It's hard to take pride in a bridge you're never gonna cross in a door you're never going to open. You're mass producing things, and you never see the end result. (Muses) I worked for a trucker one time. And I got tiny satisfaction when I loaded the truck. At least, I could see the truck depart loaded. In a steel mill, forget it. You don't see where nothing goes.

It is interesting to attend to the shift in pronouns. While the steel worker uses "I" when talking about activities that did or would make him proud and provide him with satisfaction ("I would be tempted to kick the carpenter . . . I got tiny satisfaction when I loaded the truck"), he shifts to "you" when talking about what manual labor in a steel mill is like ("You can't take pride any more . . . It's hard to take pride in a bridge you're never gonna cross . . . In a steel mill, forget it. You don't see where nothing goes"). Implicitly, there is less distance between the self and the activity when the activity is more meaningful. Reading through the full interview, moreover, it is noteworthy that the worker almost never refers to "we" when discussing work. There is no natural community of which he feels a part. In short, how the steel worker talks about work reveals as much about the distance

of his self from his work and from others at work as does the content of what he says.

Terkel also interviews a prostitute, who reveals another type of linguistic distancing of self from work (1972, p. 96):

> You're expected to be well dressed, well made up, appear glad to see the man . . . There's a given way of dressing in that league – that's to dress well but not ostentatiously. You have to pass doormen, cabdrivers. You have to look as if you belong in those buildings on Park Avenue or Central Park West. You're expected not to look cheap, not to look hard . . .
>
> Preparations are very elaborate. It has to do with beauty parlors and shopping for clothes and taking long baths and spending money on preserving the kind of front that gives you a respectable address . . .

As with the steel worker, the pronouns are an important part of the story. Though we have not included some references to "I" for the sake of space, it is clear that the prostitute describes much of her work in terms of what "you" need to do. However, beyond the pronoun references, there are two other features of the speech that stand out. In the first paragraph, most of the agency resides with the expectations of others. That is, "you have to" act a certain way because of what others expect. Perhaps even more notable is the reliance on gerund constructions ("shopping," "taking," "spending") as a way of objectifying her actions; the gerund constructions allow for the self to be completely removed from the speech.

By way of comparison, consider the following transcript of an interview with a jockey (Terkel, 1972, pp. 472, 473):

> I have been having a little problem of weight the last three weeks. I've been retaining water which I usually do not do . . . I've learned to reduce from other riders who've been doing it some 20 or so years. They could lose seven pounds in three hours.
>
> Riding is very hazardous. We spend an average of two months out of work from injuries we sustain during the year. We suffer more death than probably any other sport . . .
>
> The most common accident is what we call clippin' another horse's heels. Your horse trips with the other horse's heels, and he'll automatically go down. What helps us is that the horse is moving at such momentum, he falls so quick, that we just sail out into the air.

In this interview, there is almost a continual alternation between "I," "they," "you," and "we." There are in fact no clear boundaries that are being drawn between the self and others. There is also little objectification of action through the nominalization of activities, implying a more direct involvement of the self in the activity.

Based on the excerpts above, we would conclude that the jockey finds more meaning in his actions than does the steel worker or the prostitute. We of course recognize that such a conclusion is far from systematic; however, this brief discussion of the excerpts should make clear how grammatical clues would provide the basis for a more systematic comparison.

Grammatical Indicators of Meaning

With these illustrations in mind, we turn now to a discussion of some of the grammatical distinctions uncovered by linguists that can provide clues to the way in which organizational experiences have meaning for those involved. We have defined meaningful action as involving two components: action that is directed toward a broader ideal and action that is pursued in relationship with other members of a community. Operationally, the first component can be measured in terms of the distance of self from action. To the extent that actions are experienced as something external, impersonal or beyond one's control, the possibility for meaning is diminished. The second component can be measured in terms of distance of self from others. To the extent that action is experienced as an individual, rather than collectively shared experience, the possibility for meaning is diminished.

Work by Halliday and his collaborators (Halliday, 1994; Halliday & Matthiessen, 1999) provides a basis for making inferences about the first component. Halliday treats the clause as the fundamental unit of meaning. It is the linguistic unit by which we impose order and pattern on the otherwise undifferentiated flow of experience. At the level of the clause, experience is construed through "processes" – verbal configurations that can be distinguished on the basis of the grammar. Each clause consists of the process itself, phenomena that play the role of participants in the process, and other phenomena that make up the circumstances of the process (Halliday & Matthiessen, 1999, p. 512). For example, in the clause, "The boy hit the ball over the fence," we have a process ("hit"), two participants ("the boy" and "the ball"), and a set of circumstantial conditions ("over the fence").

The three main types of process that Halliday identifies correspond to three distinct modes of construing experience.[8] *Material* processes are those of doing (to), happening, and creating. These processes take place in the external world (e.g. "I am building a new house"), although material processes can also involve metaphorical doings (e.g. "The manager dissolved the committee"). *Mental* processes are inner processes of sensing. Thinking, feeling, and seeing are the major subtypes. For example, the clause, "She enjoys her job" would be classified as a mental process, as would the clause, "I feel overwhelmed in my current role." Finally, *relational* processes involve classification and identification. They relate one component of experience to another in terms of identity, attributes, or circumstances, as in the clause, "The company has 500 employees."

Importantly, it is features of the grammar that distinguish one type of process from another. For example, in distinguishing material from mental processes, Halliday notes that the unmarked (usual) form of the present tense for material processes is the present-in-present (e.g. "I am building" not "I build"), while the

unmarked present tense for mental processes is the simple present (e.g. "I like" not "I am liking"). Moreover, one participant in a mental process must be a conscious being (or an inanimate object endowed with consciousness), while this is not a requirement for material processes. For example, the material clause, "The box fell off the shelf," has no conscious participant in it, but you would not say, "The box felt sad," unless you were attributing consciousness to the box. Our point here is not to elaborate the full set of grammatical rules for distinguishing one type of process from another (the details can be found in Halliday, 1994, pp. 106–175) but simply to point out that the basis for the distinction lies in the grammatical structures at the clause level.

How can the process types be used to identify the extent to which one is distancing oneself from one's actions? Relational processes, in which abstract relations are set up between experiences, can be understood as implying greater distance of self from experience than either material or mental processes. When we choose (consciously or not) to employ a relational construction to describe a particular experience, we are construing this experience in abstract, symbolic terms – classifying it, identifying it as belonging to a particular type, ascribing attributes to it, or specifying its circumstances – but we are not directly engaging in the experience itself. The count of relational clauses as a percentage of total clauses in narratives describing one's experience can therefore be taken as an indicator of distancing of self from action. The greater the count of relational clauses as a percentage of total clauses, the greater the distancing of self from action.

However, the simple prevalence of material and mental processes over relational processes does not in itself imply that the experience described in a narrative is meaningful. There is an important distinction to be made between material and mental processes. Although the distance between self and action and between self and others may be similar for mental and material processes, the use of mental processes suggests a different type of engagement with the experience – one that is cognitive or emotional in nature. The requirement that at least one participant in a mental process be a conscious being is one indicator of this difference. When we construe experience through a material process, we are making sense of it as an activity in which we may be involved as a participant, but when we construe the experience through a mental process, we are engaging with it on a deeper level. The percent of mental clauses in a narrative is therefore an important second indicator of the extent to which the speaker or writer is deriving meaning from the experience.

Another feature of the grammar of clauses that is particularly useful to us is what Halliday terms "grammatical metaphor." When we think of metaphorical language, we tend to think of what linguists would term "lexical metaphor" – a

figure of speech in which a word or phrase that literally denotes one thing is used in place of another, to suggest a similarity between the two. For example, "applauded loudly" could be expressed with the lexical metaphor "applauded thunderously." Grammatical metaphor involves a shift in the grammar rather than the lexis. For example, "applauded loudly" could be expressed with the grammatical metaphor "loud applause." The grammatical metaphor in this case involves a verbal process ("applauded loudly") being re-construed as a nominal group ("loud applause"). Nominalization of a verbal group is in fact one of the most prevalent forms of grammatical metaphor, although Halliday elaborates a number of others (see Halliday & Matthiessen, 1999, pp. 246–248). The common feature across all types is the shift from one grammatical role to another.

The significance of grammatical metaphor for accessing meaning comes from the fact that the primary tendency in grammatical metaphor is what Halliday describes as "the drift towards 'thing' " – towards expressing circumstances, processes, and qualities as nominal groups (Halliday & Matthiessen, 1999, p. 263). Nominal groups have the greatest potential for classification and elaboration, and the use of grammatical metaphor therefore tends to expand the options available for conveying information. But it also means that experience becomes construed as more abstract and remote. Instead of construing experience directly, as a process, the speaker or writer construes it remotely, as a piece of information. In this sense, the use of grammatical metaphor implies a depersonalization of experience and greater distance of one's self from one's actions. One cannot be a participant in a process once that process has been nominalized (Although of course the object itself can become a participant in other processes; herein lies the source of the nominal group's potential for elaboration and classification).

As Halliday acknowledges, "unpacking" a grammatical metaphor into its congruent (non-metaphorical) form can be difficult, as there are often multiple possible congruent forms from which the metaphorical expression could have evolved. However, for our purposes, it is necessary only to recognize the instance of grammatical metaphor, not to unpack it to the precise congruent form intended by the speaker. To assess distance from experience, then, one can simply code nominal groups as either grammatical metaphors or congruent forms, and take the percentage of grammatical metaphor as an indicator of the distance of self from action.

The grammatical rules discussed so far have primarily emphasized the first component of meaning – the distance of one's self from one's actions. Analyzing the use of pronouns, as we did in the vignettes, provides some more indication of the first component of meaning, but even more importantly, it provides a means of getting at the second component of meaning – the distance of one's self from others.

As noted above, psychologists are increasingly finding the relative prevalence of different pronouns to be indicators of mental states. While we draw on these findings, because our interest is in meaning in the context of organizational work, it would be important to also code whether use of a particular pronoun is embedded in a clause related to work.

Consider some of the implications that could be drawn from coding the degree to which an individual disproportionately relies on the first person singular, first person plural, and third person plural when prompted to discuss work. Figure 1 depicts some possible combinations of pronoun use, where a letter signifies a comparatively heavy use of the pronoun-context combination in the particular cell. For example, A denotes a disproportionate use of first person singular ("I," "me") for non-work-related clauses and a disproportionate use of third person plural ("they," "them") for work-related clauses. This combination clearly suggests that the "self" is not identified with work or with co-workers. In contrast, the combination represented by B – a disproportionate use of the first person singular and first person plural in the work context – does indicate that the self is identified with both work and co-workers. The C combination would be expected from an individual who identifies with a natural community, but one that is not centered on work. The D combination denotes an individual who identifies with the people at work, but does not identify his or her self with the activities of work. One might expect this combination from an individual who is part of an organizational subgroup that does not value that company's collective goals. There are clearly other combinations; our purpose here is not to thoroughly review all possible combinations, only to show how the reliance on particles can be

Work clause	1st pers singular	1st pers plural	3rd pers plural	Other
Yes	B	B, D	A, C	
No	A, D	C		

Key:
A self not identified with work or co-workers.
B self identified with work and co-workers.
C self not identified with co-workers, but with natural community outside of co- workers.
D self identified with co-workers, but self is apart from activity of work.

Fig. 1. Some Pronoun Profiles.

used as a basis for making inferences about the meaning that individuals derive from work.

Meaning and "Strong" Culture

For readers who may have residual questions or concerns about how our understanding of meaning relates to conceptions of strong culture organizations (e.g. Deal & Kennedy, 1982; O'Reilly & Chatman, 1996), this focus on operationalization should hopefully further clarify the distinction. Proponents of the strong culture concept often emphasize that a strong organizational culture is one in which all individuals espouse similar values (e.g. Kanter, 1983; Peters & Waterman, 1982). However, as work by Van Maanen (1991) and Kunda (1992) illustrates, this espousal may be induced by external constraint or implicit social threat, rather than by individuals' belief in the meaning of their action. In fact, Van Maanen and Kunda's work suggests that a strong culture can *undermine* the meaning that individuals derive from their actions and also create divisions within the organization, threatening any sense of natural community – for example, by imposing uniformity that is actually more aligned with the beliefs of one subgroup in the organization than others.

One might argue that strong culture organizations impose a uniform grammar in addition to a uniform content of beliefs, affecting how people express themselves as much as the content of what people express. Ultimately, this is an empirical question. Arguments about beliefs tend to emphasize the role of stories and rhetoric. Eccles and Nohria (1992), for example, describe the role of organizational rhetoric as sources of worker identity and cognitive categories enabling action. However, there is no work within the strong culture perspective that identifies "grammatical control" as an aspect of strong culture, and even if "grammatical control" were a part of an explicitly managed strong culture, we find it hard to believe that the controls would map onto the indicators of meaningful action that we have identified.

This observation that the grammar of speech is less amenable to strategic manipulation than is the content of speech gives rise to a final point. In emphasizing the importance of grammar as a property of language that provides insight into meaning, we do not wish to imply that content is irrelevant. We certainly expect that one could gain some insight into the consequences of leadership by looking, for example, at counts of positive and negative adjectives, references to an individual's group or organization, and even obvious allusions to meaning or significance. However, we are concerned that, like organizational mission statements that can be posted on a wall but not reflected in individual action, the content of speech is a frequent target of strategic manipulation and impression management. Therefore,

at a minimum, we would hope that any focus on content would be complemented by a focus on grammar as a way to minimize the confounding effects of personal influence tactics and strategic behavior on the inferences that are drawn from what is said.

IDENTIFYING THE SCOPE OF LEADERSHIP ACTIVITIES

Having provided some indication as to how meaningful action might be operationalized, we can now turn to the final issue relevant to answering the second question raised at the outset of this chapter: how does one assess the extent to which a leader infuses action with meaning? This final issue involves defining the scope of activities with the potential to impact the meaning that individuals experience as part of an organization, and, within this, identifying those that can be effectively labeled as leadership activities. As Bresnen (1995) observes, the scope question is a vexing one for the leadership literature. On the one hand, there has been a tendency to identify leadership with any personality characteristics, behaviors, or actions that can significantly impact on performance. Such an approach suffers from a naïve functionalism and gives rise to the view that leadership is nothing other than an attribution that is made when an organization experiences high performance. On the other hand, there are scholars (e.g. Bass, 1985; Bennis & Nanus, 1985; Rafferty & Griffin, 2004) who have sought to segment out those executive activities that can be labeled "transformational" rather than "transactional," where the former label refers to those activities that change beliefs and values and the latter refers to those activities that change behavior through either positive or negative inducements. The focus on transformational activities has, in turn, led scholars to follow the strong emphasis that Barnard (1968) placed on the communication acts of organizational leaders, reserving other decisions or choices for the label of "management." However, as Bresnen (1995) observes, scholars seem to have given communication acts a privileged status without any actual empirical backing that communication deserves this privileged status. Unless there is some empirical basis for establishing that communication is the most effective leadership tool, such a focus seems unjustifiably restricted.

In our view, this dilemma is a consequence of the trend in the literature that formed the point of departure for this chapter: the insistence that leadership behavior in economic organizations be tantamount to behavior that improves economic performance. Because of this coupling, the distinction between leadership behaviors and characteristics and management behaviors and characteristics becomes either blurred or arbitrary.

However, in so far as leadership is identified with meaning creation, one can then attach the label of leadership to those attributes or behaviors that provide meaning for another as long as those attributes or behaviors can be ascribed to an individual. What do we mean by attributes or behaviors "ascribed to an individual?" We use the phrase to refer to attributes or behaviors where an individual can be identified by the researcher as the agent behind those attributes or behaviors. Agency is, in effect, the inverse of Meyer and Rowan's (1977) notion of "taken-for-grantedness."[9] If an individual is seen as undertaking an action or cultivating an attribute that is not taken-for-granted, then the individual can be understood as the agent of that attribute or action. To the degree that the researcher can identify the individual as the agent or author of a particular action and to the degree that the action – either by itself or in combination with other actions on the part of the individual – creates meaning for others, the action could be characterized as an act of leadership.

In adopting the perspective of the researcher for the purpose of distinguishing agentic from taken-for-granted acts, we allow for the possibility that organizational members will not always be aware of actions that an individual undertakes to create meaning, and therefore also allow for the possibility that acts of leadership may not always be seen as such by organizational followers. The researcher, of course, confronts an empirical challenge in trying to define the scope of investigation for determining what is taken-for-granted and what is agentic, and in devising a method for objectively attributing an action to an individual. What is not taken-for-granted in a particular organization (e.g. casual dress on Friday) may be taken-for-granted in the broader context in which the organization finds itself, and it is incumbent upon the researcher to make this distinction. However, such empirical challenges seem essentially similar to those faced by institutional theorists and ecologists in adequately defining what is taken-for-granted.

An empirical agenda is thus opened up, in which everything from an individual's choice about task design to her communication acts are examined as *potential* determinants of the meaning that others derive from what they do. To be clear, we believe it is important to avoid the trap of leadership being an aggregate construct that can encompass all aspects of an executive's behavior – a trap to which we alluded at the outset of this chapter. Impact on meaning must be recognized as a scope-delimiting factor, separating out what is leadership from what is not. As this empirical agenda is followed up, certain actions may in fact acquire a privileged status as a more important determinant of meaning. But at the outset, we see no basis on which to privilege some actions over others. In particular, we suspect that an individual may have to engage in significant "transactional" behavior to order institutional conflict (one of the four categories of activity that Selznick (1984) identified with the leadership function), but if the ultimate outcome of that transactional behavior is the creation of a more natural community, then there

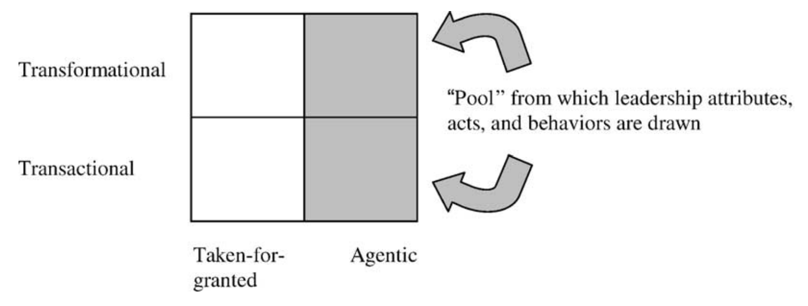


Fig. 2. A Typology of Executive Attributes, Acts, and Behaviors.

is no reason that this transactional behavior should be seen as less germane to leadership.[10]

If a researcher were to privilege communication activities to a degree that implied the downplaying of organizational design as an aspect of leadership, the researcher would run the risk of overlooking how the features of the organization impact on the way the communication is received. For example, the higher the pay disparity within an organization, the more difficult it will be for an individual to infuse meaning with a message of solidarity. The medium is very much a part of the message, and the organization is the medium.

We offer the typology in Fig. 2 as a way of clarifying our particular specification of attributes, acts, and behaviors with at least the potential to infuse meaning. To the extent that an executive's attributes or behaviors are taken-for-granted (as we have defined the term in this chapter), they are not the attributes, acts, or behaviors of leadership, regardless of their impact on meaning. Rather, it is those attributes, acts, and behaviors in the second column of the figure that are the potential "pool" from which leadership attributes, acts, and behaviors are drawn. Exactly which attributes, acts, and behaviors from the second column are most critical for meaning-making is, of course, an empirical question.

To summarize, our answer to the question of how one assesses the extent to which a leader infuses action with meaning has three parts. First, we offer a two-component definition of meaning, where one component refers to the tight connection between one's actions and one's ideals and the other component refers to a feeling of closeness to a natural community. We then argue that linguistic earmarks provide a way of rigorously operationalizing this definition. Finally, given the definition and operationalization of meaning and given the classical identification of leadership with meaning creation, we propose an empirical agenda in which researchers consider a broad range of actions that can impact meaning.

THE RELATIONSHIP BETWEEN MEANING-MAKING AND ECONOMIC PERFORMANCE

We have now made clear our position that many of the problems that have confounded the study of leadership can be addressed if a focus on leadership is decoupled from a focus on economic performance and instead coupled to a focus on meaning-making. However, because so much of the leadership literature currently focuses on the link between leadership and performance, this raises the third question articulated at the outset of the chapter: what is the connection between meaning-making capacity and economic performance?

We would like to offers two answer to this question. Our first answer is an admittedly defiant one: we don't much care what the relationship is. One of the most significant problems with the study of organizations is that the concern with economic outcomes has trumped the concern with other outcomes. Satisfaction, meaning, social welfare all seem to be regarded as of secondary or mediating significance when compared to economic outcomes such as profitability or survival. In our earlier review of some of the classic scholarship on leadership, we noted that Weber's focus on leadership is at least partially attributable to his concern about the loss of meaning associated with modernity. This concern does not disappear with Weber or other theorists writing at the turn of the century. In *The Organization Man*, Whyte (1956) voices his concern that the modern corporation does not allow individuals to realize their own unique identity. In *The Asymmetric Society*, Coleman (1982) observes that "corporate persons" have as many legal rights as "natural persons," but corporate persons have more resources.

We agree with Selznick's observation that an obsession with the question of efficiency necessarily detracts from a focus on what is most important. As Selznick asks rhetorically, "Does a preoccupation with administrative efficiency lead us to the knottiest and most significant problems of leadership in large organizations"? (1984, p. 2). The meaningfulness of action is an important enough outcome that one should not have to justify a focus on meaning by establishing a connection to economic performance.

Having offered this first answer, we know that it will be dissatisfying to many. Most obviously, it will be dissatisfying to those for whom the relationship between leadership and performance is of central significance. But even if one believes that meaning is the outcome of paramount interest, there are reasons why this first answer may not be satisfactory. A leader cannot continue to infuse meaning over time unless the organization can survive, and since survival depends on some minimum level of performance, a focus on meaning cannot be maintained to the complete exclusion of a focus on performance.

Our second answer to this question is therefore the following: there is some work that suggests a positive relationship between the meaningfulness of work and economic performance. For example, Hackman and Oldham's (1980) job characteristics theory specifies that on average, people are more productive when they have a high degree of autonomy and can observe the consequences of their actions. Hackman and Oldham (1980) also find that autonomy and an ability to observe consequences are both positively related to the meaning that individuals derive from work, though they operationalize meaning with responses to direct questions about the meaningfulness of work and not with an operationalization like the one we have suggested above. Moreover, popular management texts (e.g. Collins & Porras, 1994) certainly leave the impression that the long-term prosperity of an organization is enhanced to the degree that the organization has a mission that is regarded as meaningful by the organization's members. However, we would like to see more compelling ways of assessing meaning before drawing definitive conclusions about the impact of meaning and economic performance.

Finally, as scholars explore the relationship between meaning and performance, they should not assume that causality flows entirely from the former to the latter. Just as it seems reasonable to assume that individuals could perform at a higher level when they derive more meaning from their work, so it seems reasonable to believe that a high level of economic performance could positively impact on the meaning that individuals derive from their work. As Barnard observed, profitability does not define an organization's purpose; rather, it is an indicator of how well an organization is achieving its purpose (Barnard, 1968, p. 154, especially footnote 7). To the extent that a leader infuses meaning by enabling individuals to realize their ideals and values through organizational action, there will be comparatively little meaning that individuals can derive from association with a poorly performing organization. Put simply, if performing poorly is not much better than not performing at all, one would expect that the level of performance will place an upper bound on the meaning that can be created within an economic organization.

CONCLUSION

In this chapter, we have argued that leadership research went awry when the concept of leadership became decoupled from the notion of meaning and inextricably tied to a concern with performance. We considered some explanations for why this decoupling took place; there are several, but probably the most important is the lack of clear definition and operationalization of the meaning that individuals derive from work. Through some illustrations and through guidelines derived

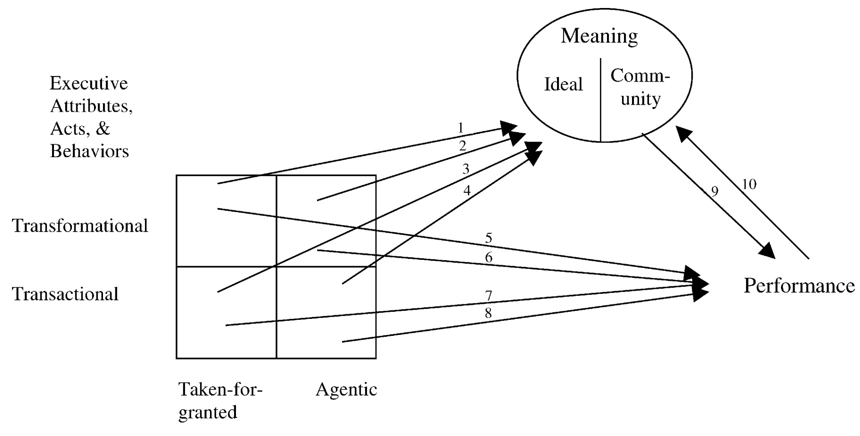


Fig. 3. Conceptions of Leadership and Management.

from the field of linguistics, we have provided some indications as to how the concept of meaning might be made analytically tractable. Finally, while we argued that a concern with meaning should not always be subordinated to a concern with economic outcomes, we acknowledged that it is important to understand the connection, especially given that the causality can flow in both directions.

By way of concluding, we would like to reference Fig. 3, which is intended to further clarify the view of leadership that we have put forth in this chapter. As we did in Fig. 2, we divide the attributes, acts, and behaviors of an executive into four categories by drawing on the distinctions of transactional versus transformational and agentic versus taken-for-granted. When we conceptualize leadership as meaning-making, we focus on how the attributes and actions that would be categorized as agentic impact on meaning (Arrows 2 and 4), as well as on the connection between meaning and performance (Arrows 9 and 10). We reserve the term management for all of those executive attributes, acts, and behaviors that impact on performance without creating meaning (Arrows 5–8). In contrast, the transformational view of leadership tends to emphasize those attributes and actions that would be reflected in Arrows 1, 2, 5, 6, and 9 – there is no distinction made between taken-for-granted and agentic behavior, and meaning is a relevant outcome only to the extent that it is linked to performance.

This framing creates the possibility for further research to form falsifiable tests of the different conceptions of leadership and the relative importance of leadership and management to economic performance. In terms of Fig. 3, this would involve testing the magnitude of the different arrows. For example, the strength of Arrows

7 and 8 provides some indication of the importance of management as compared to leadership (defined either as transformational leadership or as meaning-making). The strength of the arrows leading to economic performance (Arrows 5–8), as compared to those leading to meaning (Arrows 1–4), would provide a test of our argument that meaning be considered as a key outcome. Finally, comparing the magnitude of Arrows 1, 5, and 6 with that of Arrows 4 and 10 would provide a test of the transformational concept of leadership as compared to our conception of leadership as meaning-making.

Figure 3 also suggests some related empirical questions. Separate from the relationship between leadership and management on the one hand and meaning and economic performance on the other, considering the relationship between taken-for-granted versus agentic behaviors and transformational versus transactional behaviors leads to a number of interesting research questions. For example, given that the process of institutionalization can be understood as a shift in actions and attributes from agentic to taken-for-granted status, one could be interested in the organizational dynamics underlying this shift. Does it also involve a shift in the nature of executive attributes and actions, from transformational to transactional? One could also be interested in the conditions under which action shifts from taken-for-granted to agentic. To what extent is this shift driven by environmental changes, for example, and to what extent is it driven by changes in individual actors within the organization (e.g. CEO and top management team turnover)?

Clearly there are still some thorny empirical issues that must be addressed before we can investigate such questions, but the empirical challenges should not mask the significance of the broader questions we have raised in this chapter. In asking whether leadership has an impact on performance that transcends the impact of management, we are essentially considering the extent to which agency has more impact when meaning creation is a central target of that agency. Even if we ultimately find that meaning creation does not have a significant impact on economic performance, we maintain that greater attention must be given to meaning as an outcome that is worthy of explanation. Meaning creation is an important phenomenon regardless of its relation to economic performance. Indeed, we can think of no other phenomenon that is more worthy of explanation.

NOTES

1. A few macro-level studies suggest that the impact of leadership on performance variation is greater than implied by the Lieberson and O'Connor study (e.g., House, Spangler

& Woycke, 1991), and there is evidence that the short-term price of a company's stock is influenced by the individual characteristics of the CEO (Flynn & Staw, 2004). Nonetheless, the evidence linking leadership attributes or behaviors to performance variation is thin, particularly in light of the popular belief in the importance of leadership to the performance of complex organizations.

2. The emphasis on external constraint is one way in which Selznick departs from Barnard. In his discussion of organizational mission, for example, Selznick describes the role of a university president: "A university president may have to accept some unwelcome aspects of alumni influence; he would be a poor leader if he did so without knowing whether his dependency was truly part of the institution's character" (1984, p. 70).

3. See also Brint and Karabel (1991) for a discussion of the transformation of community colleges.

4. While not firmly within the institutional theory paradigm, Pfeffer's (1981) view of management as symbolic action shares many similarities with the Meyer and Rowan (1977) interpretation of management behavior as myth-making.

5. Weber defined formal rationality as an orientation toward action in which "the end, the means, and the secondary results are all rationally taken into account and weighted" (Weber, 1964, p. 117). The conception is closest to economic notions of action: independent agents consciously evaluating choices and making decisions based on optimizing the costs and benefits between a series of alternatives. Examples can be found in rational choice theories in sociology, economics and political science (e.g. Brinton & Nee, 1998; Coleman, 1990; see also Swedberg, 1998 for an extended discussion of Weber's original concepts of formal and substantive rationality).

6. Later in his life, however, Durkheim expressed greater skepticism about the role of professional associations in providing this meaning, calling instead for a secular religion in the form of nationalism (Durkheim, 1947b).

7. This definition allows us to distinguish meaningful from meaningless action by specifying the *form* that meaningful action will take. The *content* of what is found meaningful – the valued end toward which action is directed – can vary considerably across individuals.

8. There are also three hybrid process types; these are elaborated in (Halliday, 1994, pp. 106–175).

9. Given their analytical focus, Meyer and Rowan and those who have followed the neo-institutional tradition have generally conceived of "taken-for-grantedness" at the level of an institutional field. So, when a neo-institutional scholar writes about a taken-for-granted organizational form or taken-for-granted practice, she is usually assuming that the taken-for-granted status is common across the institutional field. For our purposes, the level of analysis that is most relevant is that which encompasses an individual actor and those whom the actor is trying to direct toward a particular goal. In this case, what is taken-for-granted may vary across organizations.

10. In defining leadership activities in this way, we also treat as an empirical question the relationship between leadership and formal position. Leadership activities are not necessarily performed only by an organization's formal head or senior team. We suspect, of course, that those individuals with greater formal authority will have more opportunities than other organizational members to engage in activities that have the potential to create meaning for a significant number of organizational participants. Conceptually, however, leadership is not restricted to the occupants of particular formal positions.

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WHEN AND HOW TEAM LEADERS MATTER

J. Richard Hackman and Ruth Wageman

ABSTRACT

Team leaders tend to be viewed both by lay observers and by scholars as more influential in shaping team performance than is warranted by research evidence. This chapter identifies the technological, organizational, and contextual constraints that can attenuate the impact of team leader behavior, and explores the behavioral options that remain available to leaders under constraining circumstances. We then address three decisions team leaders make that can spell the difference between team success and failure: (a) what kind *of team to create; (b) how to* structure *the team; and (c) how and when to actively* coach *the team as it proceeds with its work. We propose that team leaders' decisions about such matters often are made implicitly rather than deliberately, and that they often are suboptimal. Finally, we explore the implications of our analyses for team leader training and development, with emphasis on developmental activities that can make the implicit explicit and promote continuous learning by team leaders and members.*

Traditionally, leaders' behaviors and decisions – if not necessarily their personalities and styles – have been viewed as highly consequential for the effectiveness of teams, organizations, and nations (e.g. Barnard, 1938; Child, 1972; Fiedler, 1967; Homans, 1964). What is done by the person at the helm, it has been argued, directly and significantly affects both the performance of collectives and

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the well-being of their members. As Hogan, Curphy and Hogan (1994) concluded in their comprehensive review of leadership research: "leadership matters" (p. 494).

As plausible and consistent with lay observations as that assertion is, serious questions have been raised in recent years about its validity, especially by scholars in the population ecology tradition such as Hannan and Freeman (1989; see also Pfeffer, 1977). In this view, which is a contemporary reprise of the structuralist position articulated over a century ago by scholars such as Durkheim (1895/1982), leaders may indeed do all manner of organizing, planning, and directing. But the fates of their collectives actually are determined by forces over which they have little or no control.

The long-standing debate between leader-centric and structural or situationalist explanations of collective performance has never been resolved and, as Wasserman, Nohria and Anand (2001) suggest in a conceptual and empirical analysis of the impact of CEOs on corporate performance, probably cannot be. The reason is that the debate is about the wrong question. The right question, these authors propose, is not whether leaders make a difference, but *when* leaders make a difference (see also Chan & Brief, 2005). What are the circumstances when leaders' actions are highly consequential for performance, and when do leaders' behaviors and decisions make essentially no difference?

Wasserman and his colleagues focus specifically on CEOs, and offer a highly insightful conceptual and empirical analysis of the "when" question (which, in brief, shows that CEOs have the greatest impact when organizational opportunities are scarce but slack resources are available). Their arguments about CEOs apply just as forcefully to the leaders of purposive teams – the focus of this chapter.

Team leaders, like CEOs, also tend to be viewed by lay observers, as well as by not a few scholars, as highly influential in shaping the performance of their teams. But are team leaders really a main, or *the* main, influence on performance? Or does our tendency to view them that way merely reflect what Meindl (1990; Meindl, Erlich & Dukerich, 1985) has called the "romance" of leadership? Consider, for example, an industrial team that regularly sets new plant production records. It is the team leader who receives an award and subsequently is promoted. Or an airline crew that finds a way to work around serious mechanical problems encountered in flight. It is the Captain whom all applaud. Or an orchestra that turns in an outstanding musical performance. It is the conductor who turns from the orchestra to the audience to accept the ovation. In each of these cases, observers experience a strong impulse to take the romantic view and credit the team leader for collective outcomes. Indeed, this impulse is so strong that we risk adding to the conceptual clutter of our field by giving it a name – the leader attribution error (Hackman, 2002, Chap. 7).

The leader attribution error (LAE) is understandable, pervasive, and quite powerful. It is *understandable* in part because of the high visibility and salience of the team leader (of the 101 people who are performing a piece of symphonic music, only one is standing on the podium) and because of the relative invisibility to observers of structural or contextual factors that may be powerfully shaping performance (for example, the quality of the string players' sound being compromised by the heat and humidity in the concert hall). Moreover, as scholars in the psychoanalytic tradition have documented, people have a strong, if unconscious, tendency to invest in group leaders their (unrealistic) hopes and fantasies for the success of the collective (Bion, 1961; Goethals, 2005; Rioch, 1975).

The LAE also is *pervasive*, occurring for unfavorable as well as favorable outcomes. The standard remedy for an athletic team that experiences a string of losses, for example, is to replace the coach, and it is the conductor who is excoriated in reviews of a poor orchestral performance. Moreover, it is not just outside observers or managers who make the error. Team members themselves, the people who work together to generate the collective product, also are vulnerable. Corn (2000) asked members of a diverse set of teams, ranging from community health groups to a mutual fund company to military units, to identify the "root cause" of their team performance. For teams that were performing well, over 60% of the explanations had something to do with someone's personality or behavior – and that someone frequently was the team leader. For teams that were performing poorly, 40% of the initial attributions were about personality or behavior. Similarly, Naquin and Tynan (2003) identified what they call a "team halo effect," in which individuals are far more likely to be identified as the cause of team failures than the team as a collective.[1]

Finally, the LAE is *powerful*, sometimes extending even to inaction by, rather than actions actually taken by, team leaders. For example, members of self-analytic groups (that is, groups whose purpose is to help members learn from analysis of their own group experiences) generally hold the leader responsible for the rocky start that such groups invariably experience. Typically, the leader of a self-analytic group remains silent for the first few moments to ensure that all behaviors that occur are spontaneously generated by – and therefore owned by – group members themselves. The LAE is so strong that the leader's silence itself often is viewed by members as the main cause of what transpires; only gradually do they come to accept and explore their own responsibility for the behaviors they have generated.

Even highly trained and experienced professionals, people who perform demanding team tasks as part of their daily work, are vulnerable to the LAE. A player in a top symphony orchestra, describing to one of us an extraordinary performance by the orchestra, reported that the conductor had "pulled out of us

a performance I didn't know we had in us." A player in a different orchestra, explaining an unsatisfactory concert, complained that the conductor "just couldn't get us to play beyond the notes on the page." Only when there is significant ambiguity about whether a team's performance was a success or a failure is the leader attribution error muted (Meindl, Ehrlich & Dukerich, 1985).

Under some conditions, of course, the leader's actions really *do* spell the difference between team success and failure. And when they do, the choices leaders make about how to deal with their teams can powerfully affect how well those teams perform. In this chapter, we first address the organizational circumstances under which leaders' actions vis-à-vis their teams are consequential for team performance, as contrasted with those when they are unlikely to make much difference. Then we turn to the decisions team leaders make about the kind of team to create, how to structure the team, and how to coach the team as it proceeds with its work.

We will see that team leaders' decisions about such matters often are made implicitly or habitually rather than deliberately, and that they often are suboptimal. The chapter closes with an exploration of the implications of these facts for the training and development of team leaders – especially developmental activities that can help make the implicit explicit and do so in a way that promotes leaders' ongoing learning in real time.

WHEN TEAM LEADERS MAKE A DIFFERENCE – AND WHEN THEY CANNOT

If one considers only negative effects of team leader actions, then it is of course true that team leaders always can make a difference. A grossly incompetent or willfully destructive leader can undermine the performance even of what otherwise would be a beautifully functioning team (see Hogan, Curphy & Hogan, 1994, p. 493; Kellerman, 2004, for analyses of the dynamics and effects of "bad" leadership). But the reverse is not always true. There are circumstances under which even the best efforts of a superb team leader cannot help a team succeed. Specifically, when essential team processes are constrained or are controlled by factors the team leader cannot affect, there is little that a leader can do to promote team effectiveness through his or her direct work with the team.

Key Performance Processes

To analyze the conditions under which team leaders can make a difference first requires identification of those processes that are, in fact, key to team performance.

We posit that team performance effectiveness is a joint function of: (a) the level of *effort* group members collectively expend carrying out task work; (b) the appropriateness to the task of the *performance strategies* the group uses in its work;[2] and (c) the amount of *knowledge and skill* members bring to bear on the task (Hackman & Morris, 1975; Hackman & Wageman, in press).[3] Any team that expends sufficient effort on its work, deploys a performance strategy that is well-aligned with task requirements, and brings ample talent to bear on the work is quite likely to perform well. By contrast, teams that operate in ways that compromise their standing on these three performance processes are likely to underutilize their collective resources and turn in suboptimal performances.

One way a leader can facilitate team effectiveness, then, is to help members work together in ways that enhance their level of effort, the appropriateness of their task performance strategies, and the utilization of members' knowledge and skill. This help can involve minimizing a group's vulnerability to what Steiner (1972) has called "process losses," or helping a group create positive process gains, or both. That is, the leader can help the team avoid patterns of interaction that invite social loafing, the use of inappropriate performance strategies, and/or under-utilization of member talent; also, the leader can promote interactions that enhance collective effort, generate strategies uniquely suited to task requirements, and/or actively develop member knowledge and skills.

For some tasks, however, the amount of help a leader can give a team in improving its performance processes is limited because one or more of those three processes is constrained or controlled by external factors over which the leader has no direct control. And if there is nothing a leader can do to help members improve how they manage their effort, their performance strategies, or their talents, then his or her direct work with the team can make little constructive difference in team performance.

We examine two sets of external factors that constrain team performance processes and therefore team leaders' leverage in helping a team. The first set of constraints operates at the level of the team itself – specifically, aspects of its technological and organizational context. The second set operates at the level of the broader institutional context.

Team Level Constraints

Three different aspects of a team's immediate work context can constrain or control each of the three key performance processes. Specifically, a leader's ability to help a team improve its performance by managing the level of effort members expend on the task is constrained by the degree to which work *inputs* are under external

control. When the arrival of the materials that a team is to process is externally controlled (for example, by customer demand or machine pacing) a team can only respond to whatever it receives, and will be unable to increase its output by working especially hard. In such circumstances, the relationship between team effort and performance is severely restricted and effort-focused interventions by a team leader would be futile.

A leader's ability to help a team improve its task performance strategy is constrained by the degree to which performance *operations* are externally determined. When work procedures are completely pre-specified (for example, by mechanical requirements or by a manual that dictates exactly how the work is to be done) a team has no latitude to develop a new or better strategy. In such circumstances, the relationship between team performance strategies and performance outcomes is severely restricted, and strategy-focused leadership interventions would be ineffectual.

Finally, a leader's ability to help a team improve the utilization of member knowledge and skill is constrained by the degree to which work activities are *simple and predictable* (versus complex and unpredictable). When the work requires the use of skills that are common in the general population on tasks that are well-understood, a team is unable to improve its performance by bringing additional knowledge or skill to bear on the work. In such circumstances, the relationship between the team's utilization of member talent and team performance is severely restricted, and leadership interventions that seek to improve how the team applies member talents to the task would make no appreciable difference.

For some teams, all three of the key performance processes are unconstrained, and all three therefore are salient in affecting performance outcomes. Consider, for example, the work of a product development team. The pace of the work is largely at the discretion of the team, performance procedures are mostly unprogrammed, and the work requires use of complex skills to deal with considerable uncertainty in the environment. Any competently provided interventions by the team leader that assist the team in better managing the key performance processes would help improve its performance.

In other circumstances, some performance processes are constrained and others are not. Surgical teams are one example (Edmondson, Bohmer & Pisano, 2001). There is little constraint regarding the use of knowledge and skill by team members, but moderate constraint on both strategy (some, but not all, procedures are programmed) and effort (some, by not all, task inputs derive from the nature of the surgical procedure and the response of the patient as the operation progresses). Finally, there are some circumstances in which all three performance processes are constrained, as for a team working on a mechanized assembly line where inputs are machine paced, assembly procedures are completely programmed, and

performance operations are simple and predictable. A team assigned such a task would be a team in name only, since performance would depend so little on how members interact.

Contextual Constraints

The constraints just described are located at the team level of analysis. Team work processes, and therefore the capability of team leaders to make a constructive difference by working with members to improve them, also can be constrained by more distal factors. We discuss next three aspects of the organizational and environmental context that can limit a team's ability to perform better by working harder, by developing a better performance strategy, and/or by better utilizing members' knowledge and skills.

A leader's ability to help a team succeed by encouraging greater collective effort is constrained when the ultimate *purposes* of an organization are of extraordinary importance. In such circumstances, members of teams that contribute directly to the achievement of the organization's noble purposes are likely to have a level of motivation – and exhibit a level of effort – near the ceiling of what is possible. Imagine, for example, an organization whose main purpose were the rescue of victims from accidents and other life-threatening mishaps. It surely is true that members of a rescue team trying to extract injured passengers from a bus accident would be about as motivated as it is possible to be. In this and similar cases, members could not improve their performance by working harder because they already are working as hard as they can. And, for the same reason, any intervention by the team leader to foster even greater effort by the team would have little or no constructive effect. Nobility of purpose, then, can provide such a strong incentive for hard work that any additional effort-focussed interventions by the team leader would be superfluous.

Strong *institutional forces* that specify how an organization's work should be (or must be) organized and executed can significantly constrain the impact of leader interventions intended to help a team devise task performance strategies that are uniquely suited to the team task. Examples of institutional constraints include legal or regulatory requirements that dictate how work is to be executed, or quality programs such as ISO 9000 that generate detailed documentation of work processes that subsequently must be followed exactly. Such constraints tend to diffuse across organizations and to persist over time. Institutional theory posits that organizations situated in similar environments tend over time to become isomorphic with those environments and with one another (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1987).[4] Moreover, once institutional elements

have been incorporated, they become self-sustaining and persistent (Stinchcombe, 1965, pp. 168–169). The result can be a set of generally accepted operating routines that are difficult to alter because they gradually become valued in their own right. For a work team, then, the net effect of strong institutional forces is to provide a set of predefined "right answers" for how members should proceed with the work – that is, the team's task performance strategy. When institutional forces are strong, team leaders have little opportunity to help their teams generate a strategy that is uncommon but potentially more appropriate for the team's work.

The *labor market* from which team members are drawn can significantly constrain the impact of leader interventions intended to help members use their knowledge and skills more effectively in the service of the task. Specifically, when the labor market provides an abundance of team members who are fully qualified or overqualified for the work to be performed, the team is likely to have more than sufficient talent for routine task demands. To further foster talent-related processes among members – for example, by providing occasions for them to learn from one another – would make little or no difference in performance because, for those team members, the work activities would not require knowledge or skill that exceeded their existing capabilities.

Summary and Application

Teams can be helped to perform better by leadership interventions that focus specifically on reducing process losses and/or on fostering process gains only for those aspects of team performance processes that are relatively unconstrained by either team-level or contextual factors. The main team-level and contextual constraints on the three main performance processes are summarized in Table 1. Leader interventions that address team processes that *are* substantially constrained by the factors listed in the table will be ineffectual since they seek to improve team processes that are not salient in determining team performance. Indeed, such interventions can even compromise performance because they consume members' time and direct their attention away from more consequential aspects of their interaction. In effect, the exogenous factors serve as substitutes for the leadership that the team leader otherwise could provide (Kerr & Jermier, 1978; see also Peterson & Behfar, 2005).

To illustrate the above proposition, we describe some empirical findings about teams that operate on the flightdeck of commercial aircraft, where both team-level and contextual factors do constrain team processes to a considerable extent and, therefore, limit what the team leader, the Captain, can accomplish. Then we

Table 1. External Constraints on Team Leader Impact.

Performance Process	Team-Level Constraints	Contextual Constraints
Effort	Work *inputs* are under external control	Noble collective *purposes*
Performance strategy	Performance *operations* are organizationally or technologically determined	Strong *institutional forces*
Knowledge and skill	*Work activities* are simple and predictable	Skewed *labor market*

examine the kinds of leadership strategies that remain available to team leaders when they are operating in highly constraining contexts such as that of airline flight operations.

The airline research sought to identify the conditions that help crews develop into self-correcting units – teams that are adept at heading off potential problems, at correcting unanticipated difficulties before they become serious, and at learning from their experiences (Ginnett, 1993; Hackman, 1993). The study involved some 300 crews who flew nine different types of aircraft at seven different airlines in the U.S., Europe, and Asia.

The conceptual model that guided the research posited that two structural features, the design of the flying task and the design of the crew itself, shape how members work together, which in turn determine the degree to which the crew develops into a self-correcting performing unit. The researchers assessed these variables, as well as a number of others, using multiple methods that included cockpit observations as well as surveys and interviews of pilots. Analysis of training and procedure manuals provided data about the technical aspects of the work, and interviews with airline managers and government officials provided an overview of the organizational and regulatory contexts within which crews worked.

The dominant finding of the research was that there was extremely little variation in precisely those crew-level variables that were expected to be most consequential for performance. For example, between-airline differences, on average, accounted only for 3% of the variation in the measures of team structure and process, and the seven carriers' means were, for each of the focal variables, all clustered within half a point on our seven-point scale. Even the measure of Captains' espoused leadership style, confirmed by in-flight observations, also did not vary much across airlines: Between-airline differences accounted for only 4% of the variation in leadership and, once again, means for the seven carriers all clustered within half a point of one another. There were significant cross-airline differences only for measures of the munificence of the organizational context, with pilots at the more economically successful airlines reporting significantly greater job satisfaction than those at

struggling carriers. There was, however, no indication that more satisfied pilots performed better as teams.

In fact, team processes were significantly constrained by three exogenous factors: (a) the standard technology of airline cockpits; (b) government-enforced regulatory procedures and standards; and (c) the individualistic culture of flying. Cockpit technologies have evolved and been refined over the years by designers and engineers at just three (and now two) corporations: Airbus, Boeing, and Douglas. Over time, a generally accepted approach to cockpit design has emerged, which provides the technological platform upon which airline operating practices are erected. The commonalties in that platform overwhelm the differences associated with particular aircraft types and airline organizations.

A second constraint on crew processes is the set of regulatory procedures and standards that have been developed over the years by the U.S. Federal Aviation Administration in cooperation with aircraft manufacturers and airline flight operations departments. The worldwide diffusion of well-considered procedures and standards is both sensible and efficient, but the result has been extraordinary commonality in required operating practices and procedures across airlines and nations.

The third constraint on crew dynamics is the culture of flying that pervades aviation worldwide. That culture, which can be traced back to the earliest days of flying, is highly individualistic in character. This orientation is reinforced throughout a pilot's career – formally (in proficiency checks, in detailed specification of the roles and responsibilities of each member of the flight crew, and in seniority-based bidding and promotion systems), informally (through a status system that accords the highest respect to great stick-and-rudder pilots), and even in the media (which celebrates pilots who show that they have the "right stuff").

Because the cockpit technology, the regulatory environment, and the culture of flying so significantly constrain crew processes, the latitude Captains have to develop their crews into superb performing units is quite limited, and for the reasons previously discussed.[5] During normal operations (that is, when there are not unexpected weather, mechanical, or air traffic problems) all three of the key performance processes are mostly constrained by external factors. Increased effort by team members could not improve team performance because the crew is constantly responding to inputs from others (gate staff, ground personnel, and ground and air traffic controllers) rather than managing its own work pace. Nor could team-devised improvements in performance strategy help, because almost all operational procedures are driven by strong institutional forces, instantiated in company practices and federal regulations, that specify in detail the actions to be taken by each individual crew member during each phase of flight.[6] A crew that might wish to develop an operating strategy tailored to

members' special preferences or circumstances would open itself to serious risk of enforcement action. And, finally, knowledge and skill has low salience for team performance because flying procedures are so standardized and technologically controlled that the work itself, during normal operations, is both predictable and routine.[7]

The time when Captains' leadership makes a big difference in crew performance is when things go wrong – for example, a nonroutine mechanical problem, the need to divert to an unfamiliar airport in deteriorating weather, and so on. Under such circumstances, effort, strategy, and member talents all immediately become highly salient for team performance – and therefore, the quality of the leadership provided by the Captain becomes pivotal for how the team performs. Although the standard model of the airline cockpit crew is so deeply rooted in technology, policy, regulation, and the culture of flying that it severely limits Captains' latitude to provide superb team leadership in routine day-to-day flying, it is precisely the quality of that leadership that can spell the difference between success and disaster when things go badly wrong. The same opening of leadership opportunities surely occurs as well for other types of teams when unanticipated events remove or mute the impact of external factors that, under normal circumstances, control team processes and constrain leaders' latitude to make a difference.

Leading Under Constraints

What do team leaders do when they must operate under the kind of constraints that limit the leverage of airline Captains during normal operations? One possibility, of course, is simply to stay on the sidelines and let the team go about its work. Given that most leaders no doubt believe that they are expected to do some actual *leading*, a perhaps more likely possibility is that they will take initiatives intended to help the team perform better, even though there is little likelihood that such interventions will help – and some chance that their behaviors will serve mainly to frustrate both the team and themselves.

There are, however, other options. Research on teams that operate in externally constrained circumstances has identified two different strategies for leading in constraining contexts: (a) elaborating the existing "shell" of the team; and (b) exercising influence upwards and laterally to alter the constraining factors and, thereby, to expand leaders' opportunities to make a difference.

Elaborating the shell. For most teams, there exists a preexisting "shell" for the team – that is, the basic task, roles, and norms that will guide member behavior. For flightdeck crews, the shell includes the properties of the aircraft to be flown, where it is to be flown, the roles of each crew member, basic work procedures such

as checklists, and more. These all are both pre-specified and well-understood by each crew member.

Ginnett (1993) hypothesized that how Captains brought the preexisting shell to life when they first met with their crews might have enduring effects on crew dynamics. He found that what happened in the first few minutes of crewmembers' time together did, in fact, carry forward throughout a crew's life (Ginnett, 1990, 1993). Crews led by Captains who merely took the time in their preflight briefings to affirm the positive features of the crew shell – for example, by reviewing crewmembers' roles, the organizational supports available to the crew, and so on – fared better than those that received no briefing at all or one that undermined the standard shell. Best of all were crews whose Captains went beyond mere affirmation and actively elaborated the shell – identifying, commenting upon, and engaging their crews in discussion of the unique circumstances of the trip that was about to begin. These Captains transformed a highly competent set of individual pilots into an actual flying team. Elaborating the shell does not in itself expand subsequent opportunities for on-line leadership. Yet it can engender a positive collective mood among team members that can foster smooth execution of prescribed work processes (Barsade, 2002), and it can increase the likelihood that the team will be prepared to take action quickly and competently should an unanticipated, abnormal work challenge arise.

Ginnett's findings also demonstrated that the initial meeting of the crew is an especially good time to elaborate the team shell. And, although most work teams do not have structures as detailed and specific as those of cockpit crews, the leader's behavior at the launch of any work team can serve essentially the same function as that of the Captains – namely, to breathe life into the team's structural shell, no matter how rudimentary it may be, and thereby help the team start functioning on its own. If the launch meeting is successful, the team leader will have helped the team move from being just a list of names to a real, bounded social system. The official task that the team was assigned will have been examined, assessed, and then redefined to become the slightly different task that members actually work on (Hackman, 1987). And the norms of conduct specified by those who created the team will have been assessed, tried out (sometimes explicitly but more often implicitly through members' behaviors), and gradually revised and made the team's own.

Exercising influence upwards and laterally. There are, of course, some occasions when a team leader can establish essentially all of the conditions under which a team will work – who is on the team, the design of its task and the technologies with which it will work, norms about team procedures and processes, and so on. A manager who creates a temporary task force to address an immediate organizational problem, for example, would be able to set up and support the task force however

he or she wished. More commonly, however, work teams operate in already-established organizational and technological contexts. And only rarely do front-line team leaders have sufficient authority to alter autonomously any technologies or organizational policies and practices that may be constraining team processes and therefore their own ability to help team members work together well.

Perhaps the most common response of team leaders to constraints on their latitude to lead is simply to soldier on, doing whatever they can under the circumstances. A somewhat more proactive strategy is to elaborate the existing shell, as discussed above, to increase the chances that the team will operate as smoothly and effectively as possible within existing constraints. More proactive still would be to take initiatives to remove or redesign the constraining structures and systems. Doing so, however, requires preparation, patience, and usually a considerable level of political acumen as well.

Preparation and patience. Only the most naive of team leaders would imagine that one can negotiate the relaxation of organizational structures or systems that constrain their teams merely by sending a memo or hosting a meeting with some person in authority. Instead, it takes careful preparation to develop and exploit opportunities for change (Kanter, Stein & Jick, 1992). Preparation is real work. It involves doing whatever can be done to expand and deepen one's knowledge of the kinds of changes that are needed, sharing that vision with others, building a coalition that is ready to provide support, and taking initiatives to align the interests of powerful and potentially skeptical others whose cooperation will be necessary to achieve the changes (see for example, Yorks & Whitsett, 1989).

Preparation almost always must be accompanied by a good measure of patience. Both inertia and emotional resistance are powerful forces inhibiting fundamental organizational change (Jensen, 1993; Miller & Friesen, 1980), and attempts to negotiate change during periods of business-as-usual are unlikely to succeed. Yet it rarely is a long wait for *something* to happen that destabilizes organizational systems and, thereby, makes change possible. A senior manager may leave, for example, or an organizational unit may enter a period of rapid growth or belt-tightening, or a new technology may be introduced that requires abandonment of standard ways of operating. All of these, and more, offer opportunities for change: In effect, the balls go up in the air, providing the prepared team leader an opening for bringing them back down in another, better configuration.

Fundamental change almost never occurs gradually and continuously, with each small step followed by yet another small forward step. Instead, consistent with the idea of punctuated equilibrium, an extended period when nothing much seems to be happening is followed by a period of rapid and multidimensional change, and then by yet another period during which no visible changes are occurring (Gersick, 1991; Romanelli & Tushman, 1994). Wise team leaders, recognizing that change

initiatives during periods of equilibrium have little chance of making much of a difference, watch for the times of punctuation and take initiatives only then.

Political acumen. Even when a team leader is well-prepared and the time is right to initiate change, success depends heavily on the leader's political skills (Kotter, 1985). To illustrate, we draw upon an analysis, reported in detail elsewhere, of how one production manager effectively used political skills to alter organizational systems that were constraining the work processes and performance of his teams (Hackman, 2002, Chap. 5). This team leader, who we will call Hank, was responsible for teams that carried out one phase of a multi-step semiconductor manufacturing process. Hank did have the authority to redesign the work itself, and he did so: He delegated to the teams semi-autonomous responsibility for a reasonably large and meaningful portion of the overall task. But the teams' work processes were impeded both by plant maintenance procedures (which required the team to wait, sometimes for a long time, for a maintenance engineer to appear when a piece of production equipment malfunctioned), and by the relationship between his teams and plant process engineers who designed and fine-tuned the technical aspects of the production process (engineers occasionally would appear unannounced and instruct the team to stop production so they could fine-tune the process, which both frustrated team members and disrupted their production plans).

Hank wanted to do something about both matters, but he did not have sufficient status or power to do so: both maintenance and engineering managers were far better educated and better paid than Hank, and there was no way he could simply tell them to change the way their staff members related to his production teams. Moreover, the production teams ranked low in the plant's status system; the technically trained maintenance staff ranked considerably higher, and the process engineers, with their master's or doctoral diplomas, were the plant's high priests.

But Hank did have a different kind of resource to use to break through the constraints that were troubling his teams. It happened that managers at the plant regularly went into the nearby back country to hunt game, and Hank was perhaps the best-outfitted manager of them all; in the status hierarchy of the outdoors, Hank ranked much higher than did his managerial colleagues. So, early in the deer season one year, he invited the heads of maintenance and engineering to join him on the mountain for a couple of days of hunting. Around the campfire on that trip began a series of conversations that extended over most of a year and that eventually resulted in a fundamental alteration of the relationship between Hank's groups and theirs.

Although the plant status system did not change, both the maintenance and the engineering groups gradually came to understand that a major aspect of their work

was to serve the teams that actually made the products the company sold. Each maintenance staff member became an "associate member" of a small number of production teams (the teams did not require a fully dedicated maintenance person). That person was the first one called when a problem developed with the equipment, was invited to team meetings and social events, and in many instances even tutored team members so they could handle routine technical problems themselves. Some of the engineers also changed how they related to the teams. They did not develop special relationships with any one team, but did refrain from descending unannounced upon a team and stopping production so they could do their own work. That, too, was a fundamental change.

Hank remained within the bounds of ethical conduct (he did not lie or deceive) but exhibited considerable political skill in working with his colleagues to arrange for his teams to have the supports they needed for their work. What he accomplished could not have been achieved merely using his own managerial authority, nor through regular organizational channels. Politically savvy leaders, such as Hank, exhibit persistence and initiative to engage and align the interests of other people who are in a position to provide needed resources or to remove external constraints on team processes and performance (Pfeffer, 1992; Porter, Angle & Allen, 2003; Whetten & Cameron, 1993). And, if one strategy is not working, they already are thinking about what others might be tried, or about a better time to take an initiative, or about other persons or groups who might be able to lend a hand. Team leaders who have such skills and use them well in negotiations with their peers and with senior managers can do much to free their teams from the constraints that may be impeding their performance.

Summary

As previously noted, it is far easier for a leader to undermine team performance than it is to facilitate it, especially when, as is not infrequently the case, both team processes and the leader's own latitude to lead are constrained by technological and/or organizational factors over which the leader has no direct control. Perversely, it is precisely under such constraints that leaders tend to engage in behaviors such as micro-management, asserting their (limited) authority to direct or dictate aspects of the work that properly should be the team's own responsibility (Kanter, 1976). Far more constructive in such circumstances is for the leader to launch the team as well as possible (in our terms, to "elaborate the shell") and/or to turn his or her attention upward and outward, using political skills constructively to redress those aspects of the situation that are making it hard for the team to work well and the leader to lead well.

HOW TEAM LEADERS' DECISIONS SHAPE TEAM PERFORMANCE

Thus far, we have focussed on limitations on team leaders' actions and impact. When there *is* room for the leader to maneuver, then his or her response to three questions strongly shape performance outcomes: (1) what *kind* of team to create; (2) how to *structure* the team; and (3) how and when to actively *coach* the team as it proceeds with its work.

A leader's answers to these questions always is determined in major part by his or her personal mental model of how teams work – that is, what factors most strongly affect how teams behave and what interventions are most likely to help them succeed (Hackman & Walton, 1996; Stockton, Morran & Clark, 2004). Leaders' mental models almost always are of the input-process-output variety, in that they specify the factors that causally shape the group interactions that then drive performance outcomes (Hackman, 1987, pp. 319–322). An example would be a model that identifies homogeneity of membership as causal of harmonious group interaction which, in turn, fosters group productivity. There are at least three problems with these kinds of cause-effect models.

One problem is that the models used by team leaders often are more wrong than right (as in the brief example just above) in that they are inconsistent with research findings about the factors that most powerfully and constructively shape group interaction and performance. Other commonly held but wrong (or at least highly misleading) models include: (a) one should make a team as large as possible, because large teams have more resources to draw upon in carrying out the work, and that helps performance; or (b) team membership should be changed frequently because if it is not members get careless and too forgiving of one another's mistakes, which hurts performance; or even (c) a leader should be careful to use the proper behavioral style, because leadership style is one of the most powerful determinants of how members act and how well they perform.

A second problem is that leaders' mental models often are more implicit than explicit. That is, they are learned relatively early in the leader's life, become habitual, and eventually drop from consciousness. Because they are not subject to deliberate scrutiny, they tend not to be open to correction by data (Argyris, 1993). If, for example, a leader holds the well-learned, implicit view that a team leader must watch a group carefully or members are likely to loaf, and then notes that members are finding creative ways to loaf, the response may well be to watch them even *more* carefully. The possibility that it was the watching that prompted the creative loafing is unlikely even to be considered.

The third problem derives from the conventional cause-effect character of the mental models that guide human behavior, including that of team leaders. In such

models, causes are things that are done by the team leader, and those causes are cognitively linked directly and tightly to hoped-for effects. The action strategies that derive from such models, then, tend to involve attempts to manage team processes more or less continuously in real time. The long-established fact that leader behavior may itself be as much an *effect* of how members are interacting and performing as its cause is not considered (Farris & Lim, 1969; Lowin & Craig, 1968). Nor do such models acknowledge the possibility that one strategy for helping a team succeed is first to get in place the basic structural and organizational conditions that increase the chances that the team will develop autonomously into an effective performing unit, then to launch the team well, and then essentially to get out of the way. Dealing with emergent team problems and opportunities is manyfold easier – and far more likely to be successful – if conditions favorable to team performance are in place than if they are not (Wageman, 2001).

In the pages that follow, we review research and theory that bear on three key decisions that all team leaders must make when they use teams to perform work. Specifically, we explore how existing knowledge can be used to inform models of team leader behavior that are more right than wrong, more explicit than implicit, and more focussed on enabling conditions than on causes and effects.

WHAT KIND OF TEAM TO CREATE?

Although we are aware of no specific research on the question, we suspect that managers significantly overuse teams as a device for accomplishing organizational work. If that is true, it is ironic: managers, not to mention academics, complain at length about the amount of time they waste in committees and other meetings and often are heard to assert that they personally could have accomplished in a few hours, and much better, what a committee on which they served took a month to finish. But when there is a piece of work to be done, managers, again like we academics, quite frequently appoint a group of people to take it on.

The tendency to form teams of various kinds without deliberate thought about whether a team actually is the best design choice is probably multiply determined. For example, managers may hold an implicit but incorrect mental model that "teams produce higher quality output," in effect endorsing all of the potential benefits of teamwork prominent in the popular managerial literature. Or they may appoint a team to accomplish work in order to share with others accountability for whatever is produced. Or they may use a team to foster the engagement of team members and thereby increase the chances that they will be personally committed to whatever the team produces. All of these, and more, are understandable reasons for using teams to perform work.

There are, to be sure, many potential advantages to team work (for a summary of the positive case for teams, see Leavitt, 1975; for the contrary view, see Locke et al., 2001). The task can be larger in scope, more meaningful, and more consequential than would be the case for any individual performer, and these attributes have been shown to foster high work motivation (Hackman & Oldham, 1980). Moreover, since the work is not parceled out in small pieces among multiple performers, it is easier to establish direct two way communication with the clients of the work which, in turn, can provide performers with regular, meaningful feedback about their performance. Finally, a large team task often requires that the team be composed of individuals with different expertise and specialties, which can foster the kinds of cross-functional exchanges that, occasionally, result in unanticipated insights and syntheses.

Some kinds of tasks, however, should *never* be given to a team. Creative writing, for example, is a task often assigned to a team that should not be. Writing involves bringing to the surface, organizing, and expressing thoughts and ideas that are but partially formed in one's mind (or, in some cases, that lie deep in one's unconscious), and such work is inherently more suitable for individual than for collective performance (Shore, 2002). Even committee reports – mundane products compared to novels, poems, and musical scores – invariably turn out better when written by one talented individual on behalf of a group than by the group as a whole writing in lockstep. The person who does the writing can be helped greatly by the suggestions and criticisms of other team members, to be sure, but the writing itself is better done by one individual. Similarly, the most engaging and powerful statements of corporate vision invariably are the product of a single intelligence rather than a group, set forth by a leader who, after appropriate consultations, is willing to take the risk of establishing collective purposes that lie just beyond what others believe to be the limits of the organization's capability.

One of the first decisions that a leader must make in creating a work team, then, is to make sure that the work to be done actually is appropriate to be performed by a team and, if it is not, to find alternative means of accomplishing it. Leaders who are not trapped by implicit cognitive models or emotional imperatives that are biased toward teamwork weigh carefully the advantages and disadvantages of creating work teams, and take care not to assign to a team work that actually would be better performed by an individual.

If a leader's decision is that a piece of work should, in fact, be assigned to a team, the next set of choices have to do with the *kind* of team that is formed. The choice most likely to be made by leaders who do not explicitly explore alternatives is the face-to-face interacting group. But there are others, each of which is appropriate in some circumstances but not in others. As is seen in Table 2, the kinds of teams most

Table 2. Common Types of Organizational Work Teams.

Level of synchronicity	Responsibility/accountability for outcomes	
	Individual Members	Team As a Whole
Real-time interaction	"Surgical" teams	Face-to-face teams
Asynchronous interaction	Coacting groups	Virtual teams

commonly used for organizational work can be placed in a four-cell table defined by two axes: (a) the degree to which responsibility and accountability for work outcomes lie primarily with the group as a whole versus with individual members; and (b) the degree to which members interact synchronously in real time versus asynchronously at their own pace.

Teams in the upper-left quadrant are what Frederick Brooks (1995) has termed "surgical teams." Responsibility and accountability for outcomes lies primarily with one person, the surgeon, but accomplishing that work requires coordinated interaction among all members in real time as the work unfolds. Brooks, who managed IBM's System 360 programming effort many years ago, argued that programming teams should be structured like a surgical team, with members working closely together but with one individual having primary responsibility for the quality of the output. In surgical teams, the focus of the team work is to ensure that the lead person has all the information and assistance that members can provide. This kind of team is indicated when the work requires an extremely high level of individual insight, expertise, and/or creativity – metaphorically, the writing of a play rather than its performance.

Responsibility for outcomes for teams in the lower-left quadrant, which are known as "coacting groups," also lies primarily with individual members. Each member's work does not depend upon what the others do, and the output of the group is simply the aggregation or assembly of the individual contributions. Because members are performing independently there is no particular reason for them to coordinate their activities in real time. Members of coacting groups typically have the same supervisor, and may or may not work in proximity to one another. A great deal of organizational work is performed by sets of people who are called "teams" but that really are coacting groups – perhaps because managers hope the touted benefits of teamwork can be obtained while continuing to directly manage the work behavior of individuals. Coacting groups are indicated when there is minimal need for interdependent work by group members who can, in effect, operate in parallel.

In what we call "face-to-face teams" members are co-located and work together interdependently in real time to generate an outcome for which they are collectively

responsible and accountable. Face-to-face teams are what leaders usually have in mind when they use the term work team, and most of the existing research literature on team behavior and performance is about such teams. Face-to-face teams are indicated when a high quality product requires coordinated contributions in real time from a diversity of members who have complementary expertise, experience, and perspectives.

In the lower right-hand quadrant of the matrix are "virtual teams," whose members share responsibility and accountability for the team output but whose members need be neither co-located nor interacting with one another in real time. With the rapid recent advances in information and communication technologies, members are able to interact mainly, and sometimes exclusively, electronically and on their own schedules. Because there is no requirement for co-location, virtual teams can be larger, more diverse, and collectively more knowledgeable than those whose members interact face-to-face. When they work well, such teams can bring widely dispersed information and expertise to bear on the team's work quickly and efficiently (Townsend, DeMarie & Hendrickson, 1998). Virtual teams are of course indicated when interdependent work is required but it would be difficult or impossible for team members to meet regularly – perhaps because they are located in widely dispersed time zones. As increasing numbers of organizations have logged experience with virtual teams, however, it has become clear that electronic means of communication among members is not a panacea. Researchers are now working to identify the special conditions, beyond the mere availability of sophisticated communication capabilities, that are required to for such teams to function well (Baltes, Dickson, Sherman, Bauer & LaGanke, 2002; Gibson & Cohen, 2003; Olson, Malone & Smith, 2001).

Not included in Table 2 is a special kind of team that is not in any traditional sense a bounded work team at all. We refer to such teams as "sand dune teams," because they are dynamic social systems that have fluid rather than fixed composition and boundaries. Just as sand dunes change in number and shape as winds change, teams of various sizes and kinds form and re-form within a larger organizational unit as external demands and requirements change. Sand dune teams may be especially well suited for managerial and professional work that does not lend itself to the formation of single teams whose members work only on those teams for extended periods. A small analytic unit in the federal government that conducted economic analyses for senior policy makers was organized in this way (Davis-Sacks, 1990a, b). Some unit tasks required research that extended over many months; others required members to track legislation making its way through Congress in real time; and still others were one-shot analyses for clients that had to be completed in a matter of hours by teams created on the fly. Teams in the unit were continuously forming and re-forming as task requirements changed, with

different individuals serving simultaneously on multiple teams that had different tasks, clients, and expected life spans. As was the case for this government agency, the organizational units within which sand dune teams operate are relatively small (perhaps less than 30 members) and have relatively stable membership, which makes possible the development of norms and routines that allow teams to form and re-form smoothly and efficiently. Dynamic teams of this type appear to have great potential, but considerable research is needed to identify the conditions required to support them.

In sum, the term "team" is something of a projective test, used by both scholars and practitioners to refer to a wide variety of different social forms for accomplishing collective work. Additional conceptual and empirical work is required to establish the defining properties of each of these entities, to identify the organizational circumstances in which each one is most appropriate, and to establish the conditions under which each type of team is most likely to function well and perform effectively. In the pages that follow, we address the last of those questions for the work teams on the right-hand side of the Table 2 matrix – namely, teams whose members share responsibility and accountability for collective outcomes.

HOW SHOULD THE TEAM BE SET UP?

In the main, team leaders give insufficient attention to the design of the teams they create, and they are not as thoughtful as they could be about their strategies for coaching those teams. This pattern of behavior is far more optimistic about team dynamics than research evidence warrants, and may reflect an implicit mental model that getting a good design in place does not matter all that much, because, as one manager told us, "the team will work out the details."

Our research has identified a small number of structural features that do appear to be key to team effectiveness (for details, see Hackman, 2002). In brief, we posit that the chances for team effectiveness are higher when the following conditions are in place: (a) the people responsible for the work are a real team rather than a team in name only; (b) the team has a compelling direction for its work; (c) the team's structure facilitates rather than impedes collective work; and (d) the organizational context within which the team operates provides support for task activities.

Our findings suggest that one of the most powerful and constructive ways for leaders to help their teams succeed is to get those basic conditions in place, since their presence increases the probability that a team will evolve naturally into an effective performing unit (Hackman & O'Connor, 2004; Wageman, 2001). We

identify below the actions that leaders can take to create the four conditions, and we briefly discuss the research on which those conditions are based. Then, in the following section, we turn to what is known about a fifth condition – namely, how leaders' decisions about hands-on team coaching can help teams take the greatest possible advantage of their structural conditions.

Create a Real Team

Real work teams have three features. First, they have clear boundaries that reliably distinguish members from nonmembers (Alderfer, 1980). Second, team members are interdependent for some common purpose, producing a potentially assessable outcome for which members bear collective responsibility (Wageman, 1999; Wageman & Gordon, 2004). And third, they have at least moderate stability of membership, which gives members time and opportunity to learn how to work together well (Hackman, 2002, pp. 54–59).

Real work teams are intact social systems whose members work together to achieve a common purpose, not teams in name only. They can be small or large, can have wide-ranging or restricted authority, can be temporary or long-lived, can have members who are geographically co-located or dispersed, and can perform many different kinds of work. But if a team is so large, or its life is so short, or its members are so dispersed and out of touch with one another that they cannot work together interdependently, then prospects for team effectiveness are dim.

Articulate a Compelling Direction

A team's direction is the specification of its overall purposes. Direction is critical in energizing the team, in getting it properly oriented toward its major objectives, and in engaging the full range of members' talents. Our research suggests that a compelling direction for a team is simultaneously challenging, clear, and consequential.

Challenging. A well-chosen performance target for a team is neither too demanding (and therefore beyond the team's reach) nor too easy (and therefore not a challenge). Research by Atkinson (1958) and others has shown that individual motivation is greatest when the person has about a 50/50 chance of succeeding on a task, and there is no reason to doubt that the same is true for work teams.

The most energizing statements of direction are those that are insistent about the *end-states* the team is to achieve but that leave open the *means* the team is

to use in pursuing those ends. Those who create work teams should be insistent and unapologetic about exercising their authority to specify end-states, but equally insistent about not specifying the details of the means by which the team is to pursue those ends (Hackman, 2002). That state of affairs fosters energetic, task-focused work (in the jargon of the day, team "empowerment"). Specifying both ends and means mitigates the challenge to team members and, moreover, under-employs the full complement of team members' resources; specifying neither invites anarchy rather than focused, purposive team work; and specifying means but not ends is the worst of all possible cases.

Clear. Clarity of direction orients a team toward its objective and therefore is invaluable to members as they weigh alternative strategies for proceeding with the work. There are numerous choices to be made in the course of work on almost any task, and decision-making about such matters almost always is facilitated by a clear and concrete statement of direction. Purposes such as "serving customers" or "creating value for the firm," for example, are so vague and general as to provide little help to a team in developing its performance strategy. Even so, statements of direction also can be *too* clear. When a team's purposes are spelled out explicitly and completely, there is little room for members to add their own shades of meaning to those purposes, to make sense of them in their own, idiosyncratic ways (Weick, 1993). Sense-making processes are an essential part of coming to "own" a piece of work, and an overly explicit statement of direction can preempt them. Good direction for a work team is clear, it is palpable – and it is incomplete.

Consequential. When a piece of work has clear consequences for team members or for the well-being of other people, members are more likely to engage the full range of their talents in executing the work than they are when group purposes are viewed as of little real consequence (Hackman & Oldham, 1980). For consequential work, there is little likelihood that a team will fall victim to the "free rider" problem in using member talents (that is, people not contributing what they know, or what they know how to do). Also, the chances increase that the team will weight members' contributions in accord with their actual expertise rather than use some task-irrelevant criterion such as status, gender, or equality of workload in deciding how to deploy member talents.

In sum, a compelling direction for a work team is challenging (which *energizes* members), it is clear (which *orients* them to their main purposes) and it is consequential (which *engages* the full range of their talents). Direction comes first, because everything else depends upon it – how the team is structured, the kinds of organizational supports that are provided, and the kinds of hands-on coaching by team leaders that will be most helpful. Moreover, leaders who create a compelling direction for their teams reduce considerably the amount of

attention that they must give to monitoring and managing team processes in real time.

Establish an Enabling Structure

Work teams often encounter difficulties that stem from not having been set up right. Sometimes a team's structure is over-elaborate (which can create obstacles in getting things done); other times it is under-specified (a common problem for self-managing teams whose creators assume that teams should work everything out on their own); still other times the problem is that the *wrong* structures are put in place. Our research has identified the following three structural features as key in fostering competent teamwork.

Task design. Well-designed team tasks are those that are both well-aligned with the team's purpose and have a high standing on what Hackman and Oldham (1980) call "motivating potential." This means that the team task: (a) is a whole and meaningful piece of work; (b) for which members have autonomy to exercise judgment about work procedures; and that (c) provides members regular and trustworthy data about how well the team is doing. Well-designed group tasks foster high, task-focused effort by team members.

Core norms of conduct. Clear and explicit specification of the basic norms of conduct for member behavior helps members work together in an orderly fashion in pursuing collective objectives. Expectations about acceptable behavior tend either to be "imported" to the group by members or established very early in its life (Bettenhausen & Murnighan, 1985; Gersick, 1988). Moreover, core norms tend to remain in place until and unless something fairly dramatic occurs to force a rethinking about what behaviors are and are not appropriate (Gersick & Hackman, 1990).

Team norms that foster good performance processes actively promote continuous scanning of the performance situation and proactive planning of group performance strategies. Moreover, they clearly identify those behaviors that are "out of bounds" for the team. Clear specification of core norms of conduct, therefore, frees members from spending excessive time discussing the kinds of behavior that are acceptable in the group, and facilitates the development of task performance strategies that are appropriate to the team's task and situation.

Team composition. Well-composed teams are as small as possible given the work to be accomplished, include members with ample task and interpersonal skills, and consist of a good *mix* of members – people who are neither so similar to one another that they duplicate one another's resources nor so different that they

are unable to communicate or coordinate well. A well-composed team ensures that the team has the full complement of knowledge and skills required to achieve its purposes, and makes it possible for members to apply their complementary talents to the collective work.

Provide Contextual Supports

Work teams sometimes find it difficult or impossible to obtain the kinds of organizational supports that are needed for effective performance, especially in established organizations where human resource systems have been professionally designed and fine-tuned over the years to support work performed by *individual* employees. Our research suggests that team performance is enhanced when, in addition to the mundane material resources needed for actually carrying out the work, teams are supported by the following three features of the organizational context.

The *reward system* provides positive consequences for excellent team performance. It is important that performance-contingent recognition be provided to the team as a whole, not to individual members that the leader believes made the greatest contribution to the team product. To do the latter risks introducing disincentives for task-oriented collaboration among team members, which is a common (if unintended) feature of traditional, individual-focused appraisal and compensation systems. The *information system* provides the team with whatever data and projections members need to select or invent strategies for carrying out the work that are fully appropriate for the team's task and situation. The *educational system* makes available to the team, at the team's initiative, technical or educational assistance for any aspects of the work for which members are not already knowledgeable, skilled, or experienced – including, if necessary, the honing of members' skills in working together on collective tasks.

It can be a considerable challenge for leaders to arrange these supports for their teams in established, traditionally managed organizations. State-of-the-art performance appraisal systems, for example, may provide reliable and valid measures of individual contributions but be wholly inappropriate for assessing and rewarding work done by teams. Compensation policies may make no provision for rewarding excellent collective performance and, indeed, may explicitly prohibit financial awards to teams. Human resource departments may be expert in identifying individuals' training needs and in providing courses to meet those needs, but training in team skills may not be available at all. As noted earlier in this chapter, to align existing organizational systems with the needs of task-performing teams can require sophisticated use of a team leader's political skills in

negotiating changes both upward in the organization and laterally across functional boundaries.

HOW AND WHEN SHOULD A TEAM BE COACHED?

Once a team is underway with its work, team leaders must decide – again, whether explicitly or implicitly – how much coaching to provide the team, what kind of coaching to provide, who will provide it, and when it should be provided. Coaching that is well-focused, well-timed, and competently delivered can help a team take the best possible advantage of its performance circumstances (Hackman & Wageman, in press; Wageman, 2001).

Focus of Coaching

The role of the coach is not, of course, to dictate to group members the one best way to proceed with the team's work. It is, instead, to help the team minimize its exposure to process losses, and to maximize its chances of capturing synergistic process gains.

The specific kinds of help that coaches can provide for each of the three key performance processes are as follows. For *effort*: helping members: (a) minimize coordination and motivation problems; and (b) build commitment to the group and its task. For *performance strategy*: helping members: (a) avoid relying on habitual routines that may be inappropriate for the task or situation; and (b) develop innovative ways of proceeding with the work that are well-tuned to task requirements. For *knowledge and skill*: helping members: (a) avoid inappropriate weighting of individuals' ideas and contributions; and (b) share their expertise to build the team's repertory of skills. Coaching activities that focus on these task processes have been shown to be significantly more helpful to team performance than those that focus mainly on the quality of members' interpersonal relationships (Woolley, 1998).

Coaching that focuses on the three key performance processes reinforces the impact of the structural and contextual features discussed in the previous section on those same three processes. As is seen in Table 3, specific components of direction, structure, and context also contribute to the level of effort a team exhibits, to the appropriateness of its performance strategy, and to the depth of knowledge and skill members apply to the work.

Challenging, clear, and consequential direction energizes team members, promoting collective effort. It orients members' attention and action, which

Table 3. Structural, Contextual, and Coaching Contributions to Team Performance Processes.

Performance Process	Contribution From			
	Direction	Structure	Context	Coaching
Effort	Challenging	Task design	Reward system	Minimize social loafing, build team commitment
Performance strategy	Clear	Team norms	Information system	Minimize habitual behavior, invent uniquely appropriate strategies
Knowledge and skill	Consequential	Team composition	Educational system	Minimize poor weighting, build pool of talent

provides the basis for making good choices among alternative performance strategies – or for inventing an entirely new one that is uniquely attuned to task requirements and opportunities. And it engages members' full complement of talents as they pursue consequential collective aspirations that are of great consequence for the team or those it serves.

The three components of an enabling structure – task design, core norms of conduct, and team composition – enable a team to take advantage of good direction. A well-designed task promotes member motivation and effort. Norms of conduct that explicitly promote active environment scanning and strategy planning increase the chances that the team will develop and implement a performance strategy appropriate to the task being performed. A well-composed team is small enough, and diverse enough, to facilitate the development and efficient use of member talents.

Finally, a supportive organizational context smooths a team's path to effectiveness. A reward system that recognizes and reinforces excellent group performance fosters high and sustained team effort. An information system that keeps the members up to date about environmental demands and opportunities increases the chance that the team will develop and deploy performance strategies that are both efficient and appropriate. And an educational system

that provides timely training and technical consultation increases the likelihood that the team will bring to the task the maximum possible level of task-relevant talent.

In sum, having a compelling direction, an enabling structure, and a supportive organizational context facilitates good coaching because it permits the team leader to focus mainly on strengthening and reinforcing the impact of the performance-enhancing conditions. When these conditions are *not* present, however, even well-focussed, competently provided coaching is likely to be futile. In a field study of service teams at Xerox, Wageman (2001) found that the team design features just described controlled significantly more variance both in the level of team self-management and in performance effectiveness than did team leaders' coaching behaviors. For team self-management, design features controlled 42% of the variance, compared to less than 10% for measures that assessed the quality of leaders' coaching activities; for team performance, design controlled 37% of the variance, compared to less than 1% for coaching. These findings are consistent with other evidence showing that even highly competent process-focussed coaching by team leaders or consultants cannot prevail when team processes are controlled or constrained by strong structural or contextual forces (Cohen, Ledford & Spreitzer, 1996; Hackman, 1987). It is nearly impossible to coach a team to greatness in performance situations that undermine rather than support teamwork.

Timing of Coaching

The efficacy of coaching interventions depends not just on their focus, discussed above, but also upon the time in the group's life cycle when the team leader chooses to provide them. In recent years there has been an outpouring of research findings on temporal aspects of group behavior, much of which bears directly on team leader decision-making about coaching interventions (see for example, Ancona & Chong, 1999; Gersick, 1988; Ginnett, 1993; McGrath & Tschan, 2004; Moreland & Levine, 1988; Orlikowski & Yates, 2002).

Gersick's findings are particularly relevant for present purposes (Gersick, 1988). In a field study of the life histories of a number of project teams whose performance periods ranged from several days to several months, she found that each of the groups she tracked developed a distinctive approach toward its task as soon as it commenced work, and stayed with that approach until precisely half way between its first meeting and its project deadline. At the midpoint of their lives, almost all teams underwent a major transition. In a concentrated burst of changes, they dropped old patterns of behavior, re-engaged with outside supervisors, and adopted new perspectives on their work. Following the midpoint transition, groups entered

a period of focussed task execution, which persisted until very near the project deadline, at which time a new set of issues having to do with termination processes arose and captured members' attention.

Although Gersick (1989) subsequently replicated these findings in the experimental laboratory for groups that all had same amount of time to complete their task, it remained unclear until recently whether the midpoint transition was prompted externally (i.e. by reference to a clock or calendar) or internally (i.e. by members' sense that about half their allotted time had elapsed). Mann (2001) investigated this question experimentally by having groups perform a one-hour task in a room with a wall clock that ran normally, or one-third faster than normal (i.e. when 30 minutes had passed, the clock showed that 40 minutes had elapsed), or one-third slower than normal (i.e. at the 30-minute mark, it showed 20 minutes). Groups with the normal clock experienced a single midpoint transition, replicating earlier findings. But groups with the faster and slower clocks exhibited *two* such transitions, one at the midpoint indicated by the clock and the other at the actual midpoint of the allotted time, showing that groups pace their work in response to both internal and external cues about elapsed time.

The findings of Gersick and others raise the possibility that the *readiness* of work teams for coaching interventions changes systematically across their life cycles. By readiness for coaching, we mean: (a) the degree to which the issues to be addressed are among those naturally on team members' minds at the time of the intervention; coupled with (b) the degree to which the team as a whole is not at that time preoccupied with more pressing or compelling matters. We posit that coaching interventions made at a time of high readiness have greater constructive impact than those made at other times in the team life cycle. Even competently administered interventions are unlikely to be helpful if they are provided at a time in the life cycle when the team is not ready for them. Indeed, ill-timed interventions may actually do more harm than good by distracting or diverting a team from other issues that *do* require members' attention at that time.

Specifically, there are three times in a team's life when members are especially open to coaching interventions that address each of the three key performance processes: (a) at the beginning, when a team is just starting its work, it is especially open to interventions that focus on the *effort* members will apply to their work; (b) at the midpoint, when the team has completed about half its work (or half the allotted time has elapsed), it is especially open to interventions that help members reflect on their *task performance strategy*; and (c) at the end, when the work is finished, the team is ready to entertain interventions aimed at helping members draw on their experiences to build the team's complement of *knowledge and skill* (for details, see Hackman & Wageman, in press).

Summary

We have seen that the efficacy of coaching interventions depends both on the focus of those interventions (that is, on the key performance processes) and on their being provided at a time when the team is ready to receive and take advantage of them (that is, at the proper time in the team life cycle). Just as important as a team's readiness to receive coaching, however, is the team leader's own readiness to provide it – that is, to take actions that are appropriate to the team's circumstances, to execute those actions competently, and more generally to lead in a way that helps all parties, both the team and the leader, learn from their experiences. We conclude by reviewing the key competencies that are required for excellent team leadership, and with some reflections on the kinds of experiences that can help leaders obtain and develop them.

CONCLUSION: DEVELOPING TEAM LEADERS

There is no one best way to lead a team. Instead, consistent with the principle of equifinality (Katz & Kahn, 1978), team leadership can be accomplished in many different ways, depending in part on the leader's own style, preferences, and skills. That fact does not imply, however, that individual differences among team leaders are irrelevant to their leadership effectiveness (Salas, Kosarzycki, Tannenbaum & Carnegie, 2004). To the contrary, the quality of the team leadership provided depends heavily on: (a) the accuracy and completeness of the leader's mental model of what it takes to help a team succeed; (b) the leader's skill in executing the behaviors required by his or her mental model; and (c) the leader's ability to harvest the lessons of experience to expand and deepen his or her knowledge base and skill set. We address each of these imperatives below.

Leaders' Mental Models

As noted earlier in this chapter, all leaders have mental models that guide their actions. Because these models are abstracted gradually over time from observations, experience, and trial-and-error, they are likely to over-focus on salient features of the leadership situation. For example, the behavior of another leader one has observed, or especially vivid aspects of group interaction processes, or the dispositions of particularly difficult team members, may become more central in a team leader's mental model than is warranted.

In this chapter, we have identified several choices and tradeoffs that may provide a more solid foundation for a mental model of team leadership than do

abstractions from lay observations and experiences. Specifically, we have discussed leaders' choices about when teams are and are not an appropriate design choice for accomplishing work, about the different types of teams that can be created, about the structural and contextual conditions that increase the likelihood of team effectiveness, and about the focus and timing of leaders' coaching interventions.

What has been learned from research on such matters can be taught, and when taught well can deepen and enrich the mental models team leaders use to guide their actions (Gist & McDonald-Mann, 2000). For example, a training course could help team leaders understand the importance for team effectiveness of having a challenging, clear, and consequential direction by using case analyses of effective and ineffective teams, or could teach them about the importance of timing in coaching interventions by analysis of videotapes of team coaches in action. Similar pedagogical devices could be used to teach team leaders about the other choices and tradeoffs we have discussed. If a team leader does not already know what it takes to lead teams well, she or he can learn it – although the learning process is likely also to involve *unlearning* some long-standing implicit views about the features of good team leadership. That unlearning may, in fact, be the harder of the two requirements for developing more accurate mental models, in part because leaders are unlikely to recognize their own areas of incompetence (Dunning, Johnson, Ehrlinger & Kruger, 2003). Moreover, just as institutionalized task strategies come over time to be valued in their own right, leaders' theories of influences on team effectiveness can come to be deeply held and vigorously defended against correction. Helping leaders develop more accurate mental models, then, first requires "unfreezing" their often long-standing convictions through demonstration of the ineffectiveness of those convictions. Working through any subsequent defensiveness and other emotional resistances to new ways of thinking about team leadership can be a far more difficult pedagogical challenge than the teaching of the new concepts themselves.

Skill in Execution

It is not sufficient for those who lead work teams merely to have a reasonably complete and accurate leadership model; they also need ample skill in behaving in accord with the dictates of their model (Gist & McDonald-Mann, 2000). Two kinds of skills are critical to effective team leadership: diagnostic skills and behavioral skills.

Effective team leaders carefully target their interventions, aiming them at those aspects of a team's interaction, its structure, or its context where the contemplated action is both feasible and likely to make a substantial and constructive difference. To choose those intervention targets wisely requires *diagnostic skills*. Effective

leaders are able to extract from the complexity of the performance situation those themes that are diagnostically significant (as opposed to those that are merely transient noise or that are of little consequence for team effectiveness). These themes, which summarize what *is* happening in the group or its context, are then compared to what the leader believes *should be* happening to identify interaction patterns or organizational features that are not what they could be. Only then is the leader in a position to craft interventions that have a reasonable chance of narrowing the gap between the real and the ideal (McGrath, 1962, pp. 13–14).

Beyond their excellence in diagnosing work situations and team dynamics, effective team leaders also are skilled in executing actions that narrow the gap between a team's present reality and what could be. Leaders who have a rich and diverse portfolio of *behavioral skills* are better able to do this than leaders who have but a few things they can do well (for a discussion of the execution skills that may be especially germane for team leadership, see Hackman & Walton, 1986).

Much is known about training procedures that can help people develop new skills or hone existing ones, and one of the things that is known is that skills cannot be mastered by reading books, listening to lectures, or doing case analyses (Campbell, 1988; Goldstein, 1991; Goldstein & Sorcher, 1974). Instead, skill training involves intensive practice, detailed feedback, and reiteration. Training in team diagnostic skills, like training in medical diagnosis, must offer considerable practice in applying conceptual frameworks to specific cases, systematic testing of those cases against the frameworks, and inductive conceptualization from the specific back to the general. Behavioral skills are especially enhanced by the presentation of positive models – that is, people whose behavior illustrates highly competent execution of that which is being taught – adaptive imitation of those models by the learner, and specific behavioral feedback (Decker, 1986). The teaching of diagnostic and behavioral skills is therefore necessarily personalized and for that reason is labor intensive, time consuming, and expensive. But it is a critical ingredient in the mix that makes for effective team leadership.

Learning from Experience

Ideally, a team leader would behave in ways that foster continuous learning – both his or her own, and that of the team – thereby helping the team become ever more capable as a performing unit over time. To accomplish continuous learning, however, requires that leaders overcome the inherently self-limiting character of their existing mental models. Such models can become so well learned and automatic that leaders do not realize the ways or the extent to which an implicit model is guiding their behavior. Moreover, any model is certain to be flawed or

incomplete in some significant way all theories are), and therefore will lead at times to error or failure. Since *implicit* models are not recognized as having contributed to the failure, however, a leader's response is far more likely to be defensive (for example, blaming chance or others for what has happened) than to be learning-oriented (for example, inspecting the assumptions that guided the behavior that generated the failure).

In fact, error and failure provide far more opportunities for learning than do success and achievement, precisely because failures generate data that can be mined for insight into how one's assumptions or mental model of action could be improved. Indeed, the bigger the failure, the bigger the learning opportunity. Overcoming the impulse to reason defensively and thereby to exploit the opportunities for learning that error and failure bring is a significant emotional challenge for team leaders and members alike. To learn from failure requires asking questions that are inherently anxiety arousing (for example, about the validity of deeply-held assumptions or about personal flaws in diagnosis or execution), gathering data that can help answer those questions, and then adapting one's mental models and one's behavior. As Argyris (1991) has noted, such activities are not natural or comfortable acts, and are especially not so for very successful people who have limited experience in learning how to learn from error and failure.

Leading a team well thus requires a considerable degree of emotional maturity in dealing with one's own and others' anxieties. Emotionally mature leaders are willing and able to move toward anxiety-arousing states of affairs in the interest of learning about them rather than moving away to get anxieties reduced as quickly as possible. Moreover, such leaders are able to inhibit impulses to act (for example, to correct an emerging problem or to exploit a suddenly appearing opportunity) until more data have appeared or until the team has reached a point in its life cycle when members are likely to be open to the contemplated intervention. Sometimes it even is necessary for a team leader to engage in actions that temporarily *raise* anxieties, including his or her own, to lay the groundwork for subsequent interventions that seek to foster team learning or change. The impulse to get things taken care of sooner rather than later (for example, when conflicts about how best to proceed with the work become intense) can be almost irresistible. It takes a good measure of emotional maturity for a leader to resist such impulses, and to find ways to deal with one's anxieties and emotions that neither deny their reality and legitimacy nor allow them to dominate one's behavior.

Unlike the more cognitive and behavioral requirements we addressed above, emotional maturity may be better viewed as a long-term developmental task for a leader's life than something that can be systematically taught. Such learning cannot take place in the abstract, or by analyzing a case of someone else's failure. Instead, it involves working on real problems in safe environments with the explicit

encouragement and support of others who themselves also are learning how to deal with emotions effectively. Only to the extent that leader development programs take on the considerable challenge of providing such settings are they likely to be helpful to team leaders both in developing their own habits of continuous learning and in providing a model for members of their teams to pursue continuous learning as well.

NOTES

1. The findings of Lee, Hallahan and Herzog (1996) suggest that the tendency to make dispositional attributions for collective successes and failures may be culturally bound to some extent. These researchers found the frequency of dispositional attributions for sports team outcomes in published newspaper stories to be significantly lower in Hong Kong than in the United States.

2. A team's strategy is the set of choices members make about how to carry out the work. For example, a manufacturing team might decide to divide itself into three subgroups, each of which would produce one subassembly, with the final product to be assembled later. Or a basketball team might decide to use modified zone defense, with one player assigned to guard the opposing team's best shooter. Or a team performing a creative task might choose to free associate about possible solutions in the first meeting, reflect for a week about the ideas that came up, and then reconvene to draft the product. All of these are choices about task performance strategy.

3. These three team-level processes are roughly analogous to the factors that have long been established as the main determinants of work performance at the individual level: effort, ability, and role perceptions (Porter & Lawler, 1968).

4. Specifically, DiMaggio and Powell (1983) identify three processes that foster and sustain institutional isomorphism. Mimetic processes involve organizations turning to others of the same general type, especially those that are viewed as successful, as guides for how their own enterprise should be structured. Normative processes involve the cross-organization diffusion of socially defined "correct" ways of operating. Coercive processes involve agents with legitimate authority (such as government representatives) specifying how certain things *must* be done.

5. It also is true, however, that unconstrained variation in team processes can compromise team or organizational purposes in settings where high operational reliability is essential (Weick & Sutcliffe, 2001). In such cases, constraints on leaders' latitude and impact may yield more benefits than liabilities for collective performance.

6. In the years since this research was completed, airlines around the world have increasingly recognized the importance of team dynamics for safe, efficient flying, and have instituted training in team skills for crewmembers. The culture of flying, however, continues to have a strong individualistic character, and inflight duties continue to be specified mainly at the level of the individual crewmember.

7. One pilot told the researchers "I'm just a bus driver. They tell me where they want the bus to go, and as long as it doesn't break down we get there just fine." In fact, real bus drivers may have more discretion for on-line decision-making about their work processes than do members of airline cockpit crews.

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NORMAL ACTS OF IRRATIONAL TRUST: MOTIVATED ATTRIBUTIONS AND THE TRUST DEVELOPMENT PROCESS

J. Mark Weber, Deepak Malhotra and
J. Keith Murnighan

ABSTRACT

This paper presents a new, motivated attributions model of trust development. The model builds on two simple insights: that the parties in a potentially trusting relationship are likely to view their interaction differently and that their attributions of each other's behavior will be self-servingly motivated. The model specifically focuses on the role of dependence in motivating attributions of trustworthiness, suggesting, for instance, that people ameliorate the anxiety associated with dependence by perceiving others as trustworthy. The model explains why trustors, contrary to the prescriptions of the dominant, rational choice approach, often engage in large, seemingly irrational acts of trust and when and why these acts, despite being tremendously risky, can be crucial to trust development. The paper explores the consequences of these insights for interpersonal interactions as well as touching on the potential for extensions to inter-organizational and international interactions.

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> . . . Although trust is an obvious fact of life, it is an exasperating one. Like the flight of the bumblebee or a cure for hiccoughs, it works in practice but not in theory.
>
> Martin Hollis (1998)

Trust is a precious and valued commodity in interpersonal and organizational relationships. Few compliments surpass being told that you are trusted. One party professing (and experiencing) trust in another says much about their relationship. Organizational action is also predicated on trust (Arrow, 1974). "Without trust the corporation becomes not a community but a brutish state of nature, a war of all against all in which employment tends to be nasty, brutish, and short" (Solomon & Flores, 2001, p. 5). Fisher and Brown (1988, p. 107) argued that trust might be "the single most important element of a good working relationship." Trust can facilitate cooperation and help people and organizations process information more efficiently. Trust also helps to reduce uncertainty (Luhmann, 1979) and its related anxieties (Holmes, 1991).

Trust is clearly a fundamental, complex aspect of human interaction. It has recently attracted considerable attention from social scientists and organization scholars (cf. Cook, 2001; Dirks & Ferrin, 2001; Kramer & Tyler, 1996). A variety of models have approached trust and its development (cf. Kramer, 1999; Rousseau, Sitkin, Burt & Camerer, 1998), leading to a variety of complementary conceptualizations (e.g. Kelley, 1979; Rempel, Holmes & Zanna, 1985). Definitions of trust typically incorporate elements of interdependence, vulnerability (risk), and intentionality. Two common expectations are that mutual trust will increase incrementally via carefully considered, repeated positive interactions and that an unexpected breach will result in an abrupt loss of trust. Theoretical conceptualizations of trust that emphasize these characteristics conform, at least in part, to what Kramer (1999, p. 572) calls the "trust as rational choice" perspective (e.g. Hardin, 2002). Rational choice models can be both elegant and descriptive of many instances of trust development.

Trusting actions, however, can at times be sudden and dramatic rather than incremental, to the point where they appear unwise and potentially dangerous (cf. McKnight, Cummings & Chervany, 1998; Murnighan, Malhotra & Weber, 2004). Common examples of precipitous and/or sizable trusting in the absence of due consideration include: (1) companies that fund expansion before they have worked out the details of a new contract; (2) managers who have delegated important, sensitive duties to new employees; or (3) individuals who have made tremendous emotional investments in a nascent romantic relationship. In all of these cases, trust may be reciprocated and both parties may consequently benefit. The trustor's risks are considerable, however, and exceed the recommendations of a cautious, rational choice approach to trusting.

This paper starts with the observation that, counter to the predictions of a "trust as rational choice" perspective, instances of individuals and organizations trusting more than incrementally are not uncommon, especially early in a relationship (Murnighan et al., 2004). We then develop a model that helps to explain why people engage in significant and seemingly irrational acts of trust and under what conditions trusted parties are likely to reciprocate. Consideration of the trusted party's perspective also provides insight into how large, precipitously trusting acts can be simultaneously risky and yet critically important to the process of trust development.

Our model uses two simple insights for its foundation: (1) that the parties in a potentially trusting relationship are likely to view the interaction differently; and (2) that their attributions of each other's behavior will be self-servingly biased and will be motivated to a great extent by their feelings of dependence. These assumptions allow us to develop a new model of the trust development process that can accommodate both the data that is explained well by a rational choice perspective as well as what may appear to be irrational trusting behaviors. Our approach extends prior research that has recognized the critical role that attribution processes play in the trust development process (e.g. Ferrin & Dirks, 2002; Lewis & Weigert, 1985; Zand, 1972); it also responds directly to McAllister's (1995) call for more theoretical work on the development of cognition-based trust. The resulting motivated attributions model of trust development does not negate the rational choice perspective, but instead demonstrates that behavior that conforms to rational choice predictions is but one case of a more general model.

TRUST AND TRUST DEVELOPMENT

Scholars in many disciplines (e.g. psychology, sociology, economics) have taken a variety of approaches to defining trust. In their seminal paper, Mayer, Davis and Schoorman (1995, p. 712) defined trust as "the willingness to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party." By focusing on vulnerability, Mayer et al. built on Gambetta's (1988) classic definition as well as earlier observations that the "willingness to take risks may be one of the few characteristics common to all trust situations" (Johnson-George & Swap, 1982, p. 1306). Rousseau and her colleagues' interdisciplinary review of the trust literature (Rousseau et al., 1998, p. 395) offered a similar definition: "Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations

of the intentions or behavior of another." Trusting behavior, by extension, entails accepting vulnerability in the hope or expectation of gain at the discretion of another person (cf. Snijders, 1996). Although some researchers have argued that trust entails a set of shared expectations, necessarily situated in (and a characteristic of) the relationship between individuals (e.g. Garfinkel, 1967; Macauley, 1963; Zucker, 1986), Rousseau et al.'s conceptualization focuses on individual-level experiences and the decision(s) by individuals to trust. Their conceptualization is appropriate for our model, as one of the factors we highlight is the potential for the parties to have differing perspectives within a relationship.

Trust, as Rousseau et al. (1998) suggest, is a psychological state. Trust development, in contrast, is the process by which that state is achieved, shaped, and influenced. Our primary focus in this paper is on the process of developing trust rather than the nature of trust itself although, throughout the paper, we will note some of the ways that the experience of trust (as a psychological state) shapes the further development of a trusting relationship.

RATIONAL CHOICE MODELS OF TRUST DEVELOPMENT

Before presenting our motivated attributions model of trust development, we first elaborate on the dominant, rational choice approach to trust, which provides both a clear and clean foundation for theorizing about trust development, as well as a standard of comparison for our new model. Rational choice models, "arguably the most influential image[s] of trust within organization science" (Kramer, 1999, p. 572), suggest that trust grows gradually as positive interactions accumulate (e.g. Blau, 1964; Holmes, 1991; Kelley, 1979; Luhmann, 1979; Rempel et al., 1985). Developing trust gradually allows each party to take successively larger risks as their confidence in the other's trustworthiness grows. Like Bayesian updating, each positive act increases the perceived probability of the other's continued trustworthiness and, over repeated interactions, additional positive information has less impact. If all goes well, the pattern should resemble a classic S-curve (see Fig. 1), with trust building slowly through small but increasingly larger risks by each party in the trust relationship. As positive attributions regarding each other's trustworthiness accumulate, trust can develop more rapidly via mutual reciprocity. Eventually, when the parties have achieved a high level of trust and there is little room for growth, trust development slows. This pattern is reminiscent of Osgood's (1962) GRIT model of positive relationship building: "graduated reciprocation in tension reduction" suggests that interacting parties should initially engage in small, unilateral acts of cooperation and, contingent on reciprocity, gradually increase

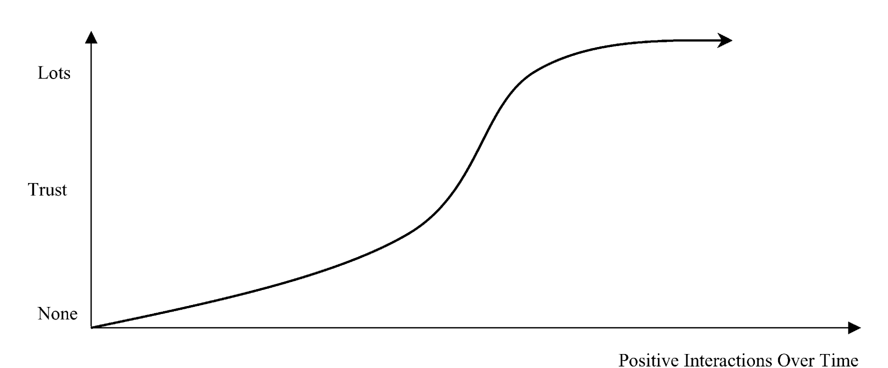


Fig. 1. Trust Development as Rational Choice.

their cooperativeness (see Lindskold, 1978, for an application of GRIT to trust development).

As noted, rational choice models of trust tend to share a set of implicit assumptions. One central assumption (which is also present in the motivated attributions model) is that trust generally develops from the iterative reciprocation of the parties' trusting acts. The process begins with one party trusting another enough to act on that trust, i.e. taking an intentional risk, making themselves vulnerable, and hoping for the (eventual) benefits made possible by mutual trust. Although a variety of contextual factors may provide the antecedent conditions for such an act (cf. McKnight et al., 1998), for our purposes, trust development begins with a single party's decision to act. Trust development continues (or, in some cases, ends) with the trusted party's response, which can also vary widely, from rejection to non-action to simple reciprocity or more (cf. Pillutla, Malhotra & Murnighan, 2003). After the trusted party responds, the focus then returns to initial trustors and their next move. Early trust development, then, is almost necessarily sequential, moving back and forth between the two parties via turn taking and reciprocity (expected and hoped for, if not always complete).

Beyond assumptions of iterative reciprocity, rational choice approaches include assumptions that our motivated attributions model challenges. For example, rational choice approaches assume that both parties will understand the process of trust development and its inherent risks and will choose to trust and/or to engage in a trusting act carefully and deliberately. They also assume, implicitly, that both parties' expectations of the process will be similar, i.e. trusted parties who might gain from building trust will view a small initial move by a trustor as appropriate, laudable, and worthy of reciprocity, just as trustors themselves perceive it. In contrast, our model builds on the ideas that parties view their choices and their interaction from differing perspectives (Malhotra,

2004) and that idiosyncratic and self-serving motivations shape their perceptions and attributions of each other. As a result, trusting parties may engage in behaviors that contradict the predictions of rational choice approaches to trust development.

IRRATIONAL TRUST

The rational choice approach does not easily accommodate large, highly risky trusting acts that occur early in a relationship. Recent research, however, indicates that such seemingly rash acts are not infrequent (Murnighan et al., 2004). In a restricted experimental context, for instance, Berg, Dickhaut and McCabe (1995) studied "the investment game," in which "trustors" decided how much of $10 they would send to "recipients." In the experiment, both parties knew that the recipient would receive three times the amount that the trustor sent, and that the recipient could then decide how much of this larger amount (if any) he or she would return to the trustor. In this interaction, sending more money represents more trusting: it increases the potential for greater mutual gain but does so at the risk of the trustor being exploited (e.g. ending with less than the original $10). Because the parties in this experiment were anonymous and would not see each other, a rational choice approach might suggest that participants would be quite guarded in their actions.

Economic and game theoretic models that focus on narrow self-interest predict no trust in this context because there is no incentive to reciprocate; recipients should take whatever cash they receive and return nothing. Thus, to protect themselves, potential trustors should also send nothing. Berg et al. (1995) found that even though the players had no history with each other, no possibility of future interaction, and everyone was anonymous, participants still sent an average of slightly more than half of their $10 endowment and five of the 32 participants (15%) sent all of their $10.

These findings document that individuals are willing to trust people whom they do not know and whom they will never meet or see. Furthermore, contrary to the rational choice approach to trust development, which, broadly construed, predicts that if people take any risks at all, they should take very small initial risks in interactions like this, a study by Pillutla et al. (2003) found that hedging may be worse than trusting fully. Pillutla et al. (2003) found that the more money trustors sent, the more recipients reciprocated, exponentially. Although some recipients returned nothing, reciprocity was less likely and proportionally smaller when initial senders had risked less rather than more money. Pillutla et al. (2003) also found that recipients interpreted trustors sending their entire endowment as a clear signal

of trust, boosting feelings of obligation to reciprocate; failing to send their entire endowment was interpreted as a lack of trust (which was not viewed positively). A consequence of these attributions was that trustors maximized their final outcomes when they sent their entire endowment (risking everything). The second-best strategy was to send nothing at all. Sending small or moderate amounts was worse (for trustors) than any other strategy. Thus, hedging one's bets and trusting only partially were truly ineffective in that they failed to engender reciprocity and reduced a trustor's final outcomes.

These results are significant departures from the predictions (and prescriptions) of a rational choice approach to trust development. Although some of the trustors who chose large initial acts of trust had their trust exploited, the data in these studies document the overall positive effects that follow such obviously risky actions: more extreme trusting acts were more profitable, on average, than small or moderate trusting acts. This suggests that the rational choice approach to trust development must be refined to accommodate both the descriptive (i.e. observed behavior) and prescriptive (i.e. benefits of) aspects of large initial trusting acts. The extant literature does not offer satisfying explanations for why such large risks are sometimes taken or why they might yield considerable benefits to trustors in terms of either tangible outcomes or the acceleration of the trust development process.

Another central, underlying difficulty with rational choice approaches to trust development has been a tendency to treat trustors and trusted parties symmetrically, assuming that each party interprets each other's actions similarly. From a modeling perspective, the rational choice approach is parsimonious and, in many instances, its assumptions are appropriate. Indeed, although many trusting relationships may emerge between parties with similar perspectives on important issues, it is also likely that many potentially trusting pairs will be asymmetrically dependent on their relationship (Emerson, 1962) and will have systematically different capacities or motivations for perspective taking (e.g. Galinsky, 2002; Malhotra, 2004). Further, an extensive body of research has demonstrated that the attributions people make about each other are affected by their goals, preferences, context, and perspectives, and become causal factors in their subsequent decisions (Kruglanski, 1996; Kunda, 1990). The motivated nature of attribution processes makes it likely that the parties will perceive and want to perceive others' behaviors in self-serving ways. We therefore present a model that attends to the implications of the differences between the parties and to the (self-servingly motivated) attributions that mediate their decisions. A better understanding of the types of attributions each party is likely to make and the factors that influence these attributions allows us to explain when and why some parties will engage in seemingly irrational acts of trust and when and why these acts will be effective, as trusted parties are influenced to reciprocate and accelerate the trust development process.

A MOTIVATED ATTRIBUTIONS MODEL OF TRUST DEVELOPMENT

The motivated attributions model begins with a single party's initial willingness to accept risk. Like most models of trust, it expects that the reputation of the other party, as well as personal experiences with the other party, will contribute to perceptions of the other's trustworthiness. Unique to the motivated attributions model is a careful consideration of each party's motivated perspective. In particular, the motivated attributions model suggests that the extent to which a party feels dependent on the other affects their attributions of the other's trustworthiness and their evaluation of information regarding the other's reputation and observed behavior (cf. Luhman, 1979). Figure 2 presents a diagram depicting the essential elements of this new model.

Our conceptualization of dependence follows directly from Emerson's (1962) seminal paper. According to Emerson, a party's relationship dependence is contingent upon their desire (or need) for the outcomes that they feel that they can obtain through their relationship with the other party. For a trustor or a trusted party, then, the level of relationship dependence that they experience should increase with: (a) the desirability of the anticipated benefits of a trusting relationship; and (b)

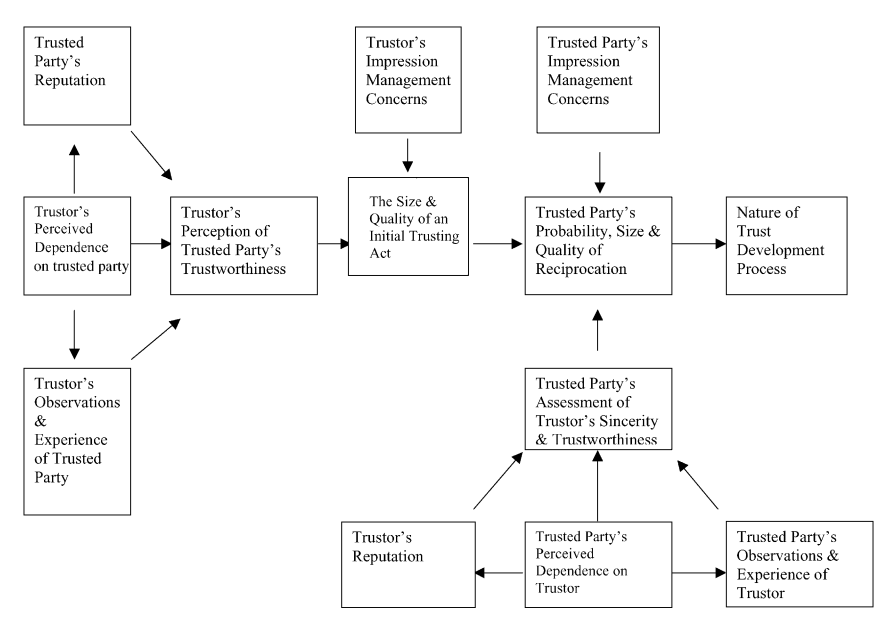


Fig. 2. A Motivated Attributions Model of Trust Development.

the criticality of the other party to achieving those benefits (e.g. whether alternative partners can provide similar benefits etc.).

As noted in Fig. 2, the initial process of trust development clearly begins with the cognitions of a potentially trusting actor, whom we designate as the "trustor." Whether a trustor is deliberate, thoughtful, and cognizant of their observations of a potentially trusted party, they must engage in some thought about the target that they have chosen for a possible trusting act. Considering past observations and experiences with a party, combined with reputation information, leads to an assessment of the trusted party's trustworthiness. This reputation can be augmented or deflated by others' reports or their own observations of the target party.

The motivated attributions model suggests that the parties will evaluate, in a potentially biased fashion, the trustworthiness of their counterparts. In particular, attributions of trustworthiness will be affected by individuals' feelings of dependence and their desire (or lack of desire) to believe that the trusted party is trustworthy. As dependence increases, individuals will be motivated to see their potential target as more trustworthy. As a result, positive (or negative) judgments of a target's trustworthiness are possible even when outside observers might come to decidedly different conclusions.

The motivated attributions model also suggests that, when feelings of dependence are relatively low, the entire process may not begin at all because potential trustors will be less motivated to take the risks that are involved in trusting actions. This may, in some cases, result in considerable Pareto inefficiency, as many relationships that might produce mutual benefit will not even begin to develop. Thus, overcoming the barriers to starting a trusting relationship may, ironically, require miscalculations on the part of a dependent party, in terms of either overestimations of the likelihood of potential benefits or underestimations of the risks involved.

Following a conclusion of sufficient trustworthiness to act, trustors can choose from a variety of trusting actions, some more risky than others. Much depends on the trustor's specific, context-dependent perceptions of the trustworthiness of the other party and their predictions about the likely results of their action. Thus, to consider a simple example, a lawyer might be willing to trust one of her most articulate partners to present a joint proposal to a potential client, but she might have considerably more faith in another partner to responsibly accompany her younger sister to an important social event.

The model assumes that, prior to action, trustors will be at least somewhat self-aware and might therefore consider how their upcoming actions will reflect upon them. Intense fears of embarrassment, for instance, may interfere with trusting acts, as few people are comfortable playing the fool. More generally, previous research (Murnighan, Oesch & Pillutla, 2001) suggests that individuals, even when

they are acting anonymously, are still concerned about how their actions affect their own self-impressions. In the decidedly more social context of interpersonal trust, in which the trusted party and many other observers may observe a trustor's initial act, social impression management concerns – wanting to create a good impression in others – can also loom large. People want to be seen positively, by others (Schlenker, 1980) and by themselves (Baumeister, 1998). The model predicts that these impression management concerns will influence the form and the probability of an initial trusting act, and that trustors will choose acts that they feel will reflect well on them. Their perceptions of the impact of their actions on others' evaluations of them, however, will be as biased as their other perceptions and may be particularly idiosyncratic.

Once a trusting act has been chosen and implemented, the interaction moves into the trusted parties' court, at which point the trusted party's own levels of dependence come into play to influence their perceptions, judgments, and, ultimately, their decision to reciprocate.

MIXED MOTIVES AND THE TRUST DILEMMA

Underlying each party's decision to trust and/or to engage in a trusting act is what we call "the trust dilemma." Trust development, with all its potential for creating value, requires investments from each party, but each party has an incentive (at least in the short run) not to invest. This is particularly true when neither party is sure that the other will reciprocate. More specifically, parties are motivated to trust and be seen as trustworthy, but they are also motivated to minimize their risks and to escape the costs that may be associated with obligation and reciprocity. While dependent trusting parties seek ways to justify their acts of trust, trusted parties may seek ways to justify inaction and/or non-reciprocity. Thus, parties hope to gain from the establishment of trust but, in the short-term (particularly in the initial phases of trust development), they are also motivated by self-interest, which can undermine the trust development process. As Messick and Kramer (2001, p. 97) note, "both parties have very clear preferences for what they want the other party to do, even though they themselves have decision conflicts . . . if they could choose for each other, there would be no problem."

These self-oriented motivations can have important consequences. A trusted party who is motivated to devalue or ignore a trustor's actions may escape feelings of obligation but will, as a result, appear exploitative and unethical to the trustor. To avoid this outcome, a trustor who wishes to convey an unambiguous signal of trust – one that makes non-reciprocity difficult to justify – may be motivated to engage in large, and seemingly irrational, acts of trust. In contrast, potential

trustors who are unable to adequately consider the perspective of obligated or highly dependent trusted parties may underestimate the likelihood of reciprocity and forego opportunities to build trust. We now consider each of these possibilities as we look at the motivations underlying decisions to trust and to reciprocate.

The Motivation to Trust

As social beings, individuals learn early in their development that the fulfillment of their needs and desires requires interaction and cooperation with others (Simon, 1990). The willingness to interact with others to create mutual gain, however, also creates the possibility of being exploited (e.g. Trivers, 1971). Since it is impossible to manage all of our vulnerabilities through raw power or enforceable contracts, people rely on trust to facilitate cooperation. This is especially true when parties – individuals or organizations – seek long-term cooperation, as it is particularly difficult to delineate all future contingencies in a single contract.

Despite the pervasive need to engage with others, people vary in their willingness to trust (e.g. Rotter, 1967; Yamagishi, 2001). For some individuals, trusting intentions are central to their conceptions of their social selves (Soloman & Flores, 2001); for others, the social world takes second place to their individually motivated concerns. Despite individual differences in propensities and proclivities, extrinsic motivations – the tangible benefits that result from trusting in a particular context –provide strong motivations to establish mutual trust and/or mutually trusting reciprocal actions.

When the potential for these benefits exists and at least one party recognizes this, trusting acts and the start of a trusting relationship are possible. When both parties see the possibilities, an important question surrounds the identity of the initial trustor. An extension of Emerson's (1962) model of dependence suggests that, *ceteris paribus*, the party that feels more dependence on the potential relationship will be more likely to see possibilities that would be facilitated by mutual trust and will therefore be more likely to initiate the trust development process.

As we have noted, however, the motivation to trust that is inspired by perceived dependence may cloud a trustor's judgment. Thus, potential trustors who feel dependent may be less judicious and cautious than is warranted, given the incumbent risks. Murray and Holmes (1994, p. 651) have shown that people often construct personal narratives that create an overarching, positive gestalt "to preserve feelings of confidence and security in the face of the inevitable risks posed by interdependence." Further, people's relationship satisfaction is positively correlated with idealized images of their partners (Murray, Holmes & Griffin, 1996) and the (often false) belief that their partners are highly similar to them

on key dimensions (i.e. "kindred spirits"; Murray, Holmes, Bellavia, Griffin & Dolderman, 2002). Though such images and impressions are inaccurate, they stem from cognitions that are motivated to sustain relationship satisfaction. Thus, in the context of trust, concluding (even inaccurately) that those on whom we are dependent are trustworthy may be a natural, easy way to deal with fears of exploitation and to facilitate social risk taking that can yield beneficial outcomes.

The "Stockholm Syndrome" provides an extreme example of this phenomenon. This syndrome takes its name from a hostage crisis that occurred years ago in the city of Stockholm. When the authorities stormed the hostage-taker's enclave, they were surprised by the responses of many of the captives, who actively helped the hostage-takers rather than the people who were trying to secure their release. Experts have explained this behavior by pointing to the extreme conditions that the hostages faced during their captivity. Because hostage takers control the hostages' well-being (indeed, their lives), hostages can become so psychologically dependent on their captors that they come to trust them more than they trust the police. As a result, hostages often warn their captors of possible danger, resist the commands of authorities, and even risk bodily harm to protect their captors. With respect to our model, the Stockholm syndrome represents an extreme example of dependent parties using the questionable, though undoubtedly motivated conclusion that their hostage-takers are trustworthy to reduce the anxiety that is inherently attached to their feelings of dependence.

On its face, using trust as a corrective for the discomfort of dependence is neither an obvious nor an attractive conception, though it may be adaptive. Like Emerson (1962), we suggest that the more dependent of two parties will experience their asymmetric dependence as psychologically aversive and anxiety producing. Emerson argued that these individuals (or groups) are motivated to engage in one or more of four "balancing operations" to achieve greater symmetry. They can withdraw from the relationship, build coalitions, find alternatives, and/or bestow status. These alternatives emphasize structural rather than cognitive solutions to the problems of dependence. The motivated attributions model suggests that dependent parties also have an additional, cognitive solution: to conclude that the less dependent party is trustworthy and will not exploit the counterpart's dependence (cf. Kruglanski, 1996; Kunda, 1990).

This discussion suggests that "rational" (i.e. carefully and deliberately reasoned) assessments of another party's trustworthiness will become increasingly unlikely as dependence increases. In particular, as dependence increases, so will selective attention to information that confirms what a party wants to believe (e.g. Berscheid, Graziano, Monson & Dermer, 1976; Erber & Fiske, 1984; Ruscher & Fiske, 1990), increasing the likelihood of a conclusion that the other party is trustworthy (e.g.

Fine & Holyfield, 1996). For initial trustors, this increases the likelihood that they will engage in trusting behavior and that the risks that they will assume will be larger than careful analysis might recommend.

Thus, dependence should have several consequences for trust initiators.

Proposition 1. As their dependence increases, potential trustors will: (a) engage in less information search to assess a potential counterpart's trustworthiness; (b) be more likely to evaluate ambiguous information about the counterpart positively; (c) exaggerate the likelihood that the trusted party will reciprocate; (d) be more likely to engage in initial acts of trust; and (e) be more likely to trust precipitously.

Consider an example. Proposition 1 suggests that an entrepreneur who does not have sufficient resources to bring a product to market will be more likely to: (a) accept capital guarantees from the first venture capitalist (VC) who offers it; (b) minimally seek or assess information regarding the VC's reputation or credentials; (c) conclude that the VC is trustworthy; and (d) incur costs or invest considerably in the process (or both), especially as the desire to launch the product increases. Drawing overly strong conclusions on the basis of minimal information is more likely than the rational choice approach would anticipate, especially early in a relationship when one party perceives itself to be dependent upon the other.

Paradoxically, while dependence should lead individuals to be more likely to engage in risky trusting acts, the more dependent they appear to a trusted party, the less likely might the trusted party be to reciprocate. In particular, trustors who are perceived as desperate or calculating – eminently possible interpretations of dependence-driven actions – may be less likely to induce reciprocity and subsequent trust development. Obvious dependence offers a trusted party an alternative to attributing a trusting party's behavior to genuine trust (cf. Kelley, 1971). The needy suitor, either in romance or in business, often generates skeptical reactions that can interfere with trust development. Thus, the impetus of dependence can have dual-edged implications. Nonetheless, Cialdini (1993) notes that the norm of reciprocity can be strong enough to overcome a decision-maker's hesitations and reticence, even in contexts in which manipulation is expected (e.g. when dealing with a used car salesman). We discuss these kinds of dynamics further in the next section on obligation and reciprocity.

The Motivation to Escape Obligation

Like trustors, trusted parties necessarily interpret information in the context of their own motivations and interests. At one extreme, trusted parties may see a unique

and valuable opportunity in the overtures of a trusting party, making reciprocity and the quick propulsion of the trust development process particularly likely. At the other, trusted parties who have numerous alternatives may have little desire or need to build a new relationship (Emerson, 1962).

Gouldner (1960) notes, however, that we often feel obligated to reciprocate and tend to believe that we "should repay (in kind) what another has provided." Extensive research on reciprocity has shown that people often reciprocate even when it goes against their self-interest (e.g. Cialdini, 1993; Gouldner, 1960). As a result, even those who are uninterested in reciprocating and developing a mutually trusting relationship may feel compelled to reciprocate unless they have (or can find) ways to justify non-reciprocity and escape what might otherwise be powerful and natural feelings of obligation.

Berg et al. (1995) have demonstrated that both the likelihood and the magnitude of reciprocity vary across individuals. Thus, some trusted parties do overcome what others feel is an obligation to reciprocate. Pillutla et al. (2003) suggest that reciprocity depends on the trusted party's attributions of the trustor's actions. While trustors might hope that trusted parties will acknowledge the initiatives that they have taken to establish a trusting relationship, some trusted parties may not even know that they have been trusted (e.g. Berg et al., 1995). For others, the high cost of reciprocity may induce them to seek ways to justify not reciprocating. This may be easiest when the trustor's desperation is obvious: reciprocity is particularly unlikely when the trustor is perceived as parasitic, overly calculative, or self-interested (cf. Brehm, 1966; Williamson, 1993).

To a large degree, the trusted party's attributions about the trustor and the trusting act will be driven by the trusted party's own dependence, motivations, and interests. As trusted parties' own dependence increases, the likelihood that they will interpret trusting acts as sincere will increase, as will the likelihood that they will reciprocate. Thus, their own motivated attributions will help to determine whether trust will develop. This suggests the following proposition:

Proposition 2. Trusted parties will interpret trustors' initial acts of trust more favorably, and they will be more likely to reciprocate, as their own perceived dependence on initial trustors increases.

The motivated attributions model notes that the characteristics of the trusting act itself will also have independent effects on the trusted party's attributions regarding the trustor's intentions and interests. As Pillutla et al. (2003) discovered, those who hedged and took small or moderate risks were seen as non-trusting or cheap, attributions that also justified non-reciprocity. Large acts of trust that entailed greater risk and provided greater mutual benefit were more often interpreted as unequivocal and sincere acts of trust and this trusting attribution led to more

frequent (and more sizable) acts of reciprocity. Large acts of trust are inherently less ambiguous: they provide clearer signals of trust, making it difficult to downplay the significance of the trustor's act or to justify non-reciprocity. Thus, although rational choice approaches laud the efficacy and reasonableness of small, initial acts of trust, the Pillutla et al. (2003) findings suggest that potential trustors may be better served by choosing between large, seemingly irrational acts of trust (i.e. risking everything) and not trusting at all.

An initial trustor's precipitous trusting act not only makes it difficult to justify not reciprocating, but it also makes it easier for a trusted party to reciprocate by reducing the trusted party's risks. Even cooperatively inclined individuals are naturally wary of being exploited (Kelley & Stahelski, 1970), so any risk reduction can facilitate the process (Weber, 2003). Gulati, Khanna and Nohria (1994), for example, documented how the potential parties in a merger eliminated alternative suppliers to signal their trustworthiness and make it easier for the other party to commit. The underlying logic is that, in a relationship involving sequential decision making, each act can change the perceived payoffs and the risks associated with different choices for the other decision maker. In interpersonal interactions, people who share sensitive personal information provide their counterparts with the opportunity to later exploit this information if the relationship deteriorates, reducing the trusted party's own risks. Both of these examples suggest that precipitous trusting acts give trusted parties "fate control" over initial trustors (Thibaut & Kelley, 1959), thereby reducing trusted parties' risks in reciprocating and, consequently, increasing the likelihood that they will reciprocate. Thus,

> **Proposition 3.** Precipitous trusting acts that benefit the trusted party will: (a) be more difficult to judge as insincere; (b) reduce the costs and risks associated with reciprocity; (c) increase the likelihood of reciprocity; and (d) accelerate the development of mutual trust.

A trusted party's self-attributions may also be critical to their response. Both trustors and their trusted parties, in both private and social contexts, are motivated to create and maintain positive self-impressions (Murnighan et al., 2001). Decisions to reciprocate the trusting acts of others can be particularly meaningful to people's self-perceptions. For example, people who choose *not* to reciprocate others' trust may see themselves as attractive (for having stimulated an initial trusting act), independent (for not needing to reciprocate), or untrustworthy (for not reciprocating a sincere, trusting act).

Thus, trustors who increase the size and salience of their trusting act (and consequently, their risks and vulnerability, as in Proposition 3) can prompt negative self-attributions for trusted parties who might otherwise be inclined not to reciprocate. Individual differences also come into play, as some people will

consider a trusting act to be laudable while others will view objectively identical actions as gullible or naïve (Murnighan et al., 2001). In general, however, acts that reflect positively on an actor will be more likely and will help fuel the trust development process; acts that reflect negatively, in any way, will help inhibit trust development. Thus,

Proposition 4. Initial acts of trust and/or acts that reciprocate trusting actions will be more likely when they reinforce actors' positive self-impressions or reduce the likelihood of negative self-impressions.

DISCREPANT ATTRIBUTIONS AND THE ROLE OF COMMUNICATION

Each successive step in the trust development process is laden with potential attributional errors, not only due to cognitive and perceptual limitations, but also due to the motivated and at times strategic nature of trusting choices. When parties are motivated not to trust or not to reciprocate, for example, they may more easily project non-trusting motivations onto others (Sagarin, Rhoads & Cialdini, 1998). In doing so, they are better able to justify their own behavior. Tenbrunsel (1998, p. 337), for instance, notes "... seeing the competition as unethical may only escalate one's own unethical behavior." The converse, as we have noted, is also likely: strong desires for the mutual benefits of trust may lead to unwarranted feelings of trust and perceptions of trustworthiness.

These misguided attributions also apply to breaches of trust. Luhmann (1979) and Jones and George (1998) suggested that people do not view every deviation from their expectations to be a breach of trust. Instead, they establish thresholds that determine whether unfulfilled expectations denote a breach. These perceptions, and the establishment of such thresholds (consciously or unconsciously), are likely to be influenced by the same factors that influence trusting choices and reciprocity. An extremely dependent party, for instance, may fail to acknowledge (much less sanction) even the most flagrant breaches of trust.

Attributional processes, however, are not always (or even usually) dysfunctional. Accurate attributions regarding trust and trustworthiness hinge on each party's ability to understand the other party's choices and constraints. The trust development process can be rapid when each act of trust or reciprocity provides a clear basis for dispositional attributions of trustworthiness. As Kelley (1971, p. 8) noted, however, "the role of a given cause in producing a given effect is discounted if other plausible causes are also present." When beneficial acts of trust can be attributed to self-interest, contracts, or social sanctions, for instance, attributional

discounting may be considerable (Malhotra & Murnighan, 2002). The problem intensifies when attributions are self-servingly motivated.

Objective observers whose attributions are relatively unmotivated are likely to evaluate the actions of highly dependent parties more positively than their less dependent counterparts would, but less positively than the parties themselves. Our model suggests, then, that there is an ever-present risk that trustors and trusted parties will have less similar and (often) less positive conceptions of each other's actions than might be necessary for trust to develop. This is similar to the notion of reactive devaluation in negotiations, in which each party sees the other's concessions as smaller than they actually are, because the other party made them (Stillinger et al., 1990). These biases create the potential for a negative spiral of discrepant interpretations of each party's trusting acts (Zand, 1972).

Clear communication seems the most promising solution to this problem. Empirical evidence and our current theorizing suggest two communication modes: either trust precipitously to reveal the extent of one's risks and commitment (as in Proposition 3) and/or talk clearly about the act of trust, preferably face-to-face. Communicating one's reasoning and expectations via explicit statements that describe intentions and expectations can be effective in clarifying the dynamics of a trusting act (Messick & Kramer, 2001). For example, a manager delegating important responsibility to an inexperienced employee might help to create mutual benefit and increased trust by stating, "This is an important project and I am assigning it to you because I trust you: I expect that you will meet all of the deadlines and keep costs to a minimum." The motivated attributions model suggests that a manager who assumes that employees will accurately judge the importance of a project or will naturally feel obligated to perform exceptionally because they have "obviously" been trusted may be disappointed.

Because face-to-face communication can make explicit the implicit messages that trustors hope to send, it can provide a simple (although still limited) defense against mutual misattributions. It can also make failing to reciprocate more difficult, since the physical presence of a vulnerable trustor can create social pressure and elicit empathy. Research on behavior in social dilemmas, for instance, has consistently found that communication and the reduction of social distance facilitates cooperation (Weber et al., 2004). Communication elicits commitments (Kerr & Kaufman-Gilliland, 1994) that create mutually desired outcomes because most individuals adhere to an internal norm that requires follow-through (Kerr et al., 1997). Valley, Moag and Bazerman (1998), for instance, demonstrated that face-to-face negotiations allowed each of two parties to profit in a context that, without face-to-face communication, repeatedly favored one over the other or sometimes hurt both. As business interactions become increasingly mediated by technology, then, the benefits of face-to-face interaction may become more and more salient.

INTER-ORGANIZATIONAL AND INTERNATIONAL TRUST

The archetypes of trust development that have motivated most of our theorizing are primarily interpersonal rather than inter-organizational. Because organizations are replete with interpersonal interactions of endless variety, individual archetypes are both relevant and helpful in thinking about trust within organizations. Indeed, we have offered examples of this sort throughout this paper. However, inter-organizational, inter-institutional, and international exchanges can have broader consequences than those of individuals and are more likely to include multi-party and inter-group dynamics. Consequently, additional factors undoubtedly influence trust development between organizations. At the same time, a variety of intra- and inter-organizational interactions depend on the perceptions, cognitions, and behaviors of individual organizational actors. In these cases, the motivated attributions model may apply beyond the domain of individual interactions to include interactions that are often ascribed to organizations or even larger entities.

The recent accounting scandals provide a particularly striking (and unfortunate) inter-organizational illustration of the motivated attributions model. In a compelling analysis of the potential for bias in auditing, Bazerman, Loewenstein, and Moore (2002, p. 98) noted that one of the central lessons of behavioral decision-making research is that "when we are motivated to reach a particular conclusion, we usually do." Despite their professionalism, accountants are prone to the same biases in decision making as the rest of the populace. Situational and/or interpretational ambiguity and familiarity with and/or attachment to clients (and therefore tacit loyalty to those who pay them) are just some of the sources of bias to which accountants and the audit firms that they work for are unconsciously prone. The motivated attributions model would also suggest that overly favorable audits may reflect irrational trust (in a client's claims) that has been facilitated by high levels of dependence on clients who provide access to information and opportunities for future business in accounting and managerial consulting.

Several scholars have documented other effects pertaining to inter-organizational trust that are also consistent with the model. In his ethnographic study of embeddedness in New York's better-dress firms, for instance, Uzzi (1997, pp. 43, 44) noted that "trust developed when extra effort was voluntarily given and reciprocated." In-depth interviews with CEOs and selected staff yielded a consistent characterization of trust that was at odds with rational choice predictions of calculative risk assessments. Uzzi noted that, when referring to trusted firms, respondents denounced the notion of monitoring their transaction partners because it was inappropriate in a trusting relationship. Furthermore, decision-making in these embedded, trusting relationships was the antithesis of the hard-headed

calculations of a rational approach to trust: "... the calculative stance of risk-based judgments, denoted by the skeptical interpretation of another's motives when credible data are absent, was replaced by favorable interpretations of another's unmonitored activities." Uzzi (1997) noted that inter-organizational trust yields economies of effort, which facilitate other significant benefits like fine-grained information transfer, efficient joint problem-solving "on the fly," and complex adaptation.

Gulati, Khanna and Nohria (1994) found that in a context in which up to 80% of inter-organizational alliances failed, among the best predictors of success were large, unilateral commitments by one of the parties. Examples of such unilateral acts of trust included: (a) a company signing a long-term contract with a third-party supplier for material needed for an impending alliance; (b) a computer hardware manufacturer dissolving its internal software department to signal its commitment to an alliance with a software firm; (c) an automobile manufacturer making its design specifications fully available to an alliance partner before the partner had invested in the alliance; and (d) a company making a promise of exclusivity even when it could pursue a number of viable partnerships to diversify its risks. Consistent with the logic of the motivated attributions model, Gulati et al. noted that these actions, by virtue of their size and the risks involved, signaled that the organizations' intentions were sincere. This created a social context in which reciprocity was expected (and typically delivered) and, given the sequential nature of relationship development, fundamentally changed their counterparts' social and risk contexts. In fact, Gulati et al. (1994, p. 68) "... found no examples in which the partner took advantage of [a] unilateral gesture; in all cases the partner responded by cooperating." Our model suggests that these kinds of large trusting acts may be encouraged by the initiating organization's own feelings of dependence and their motivated perceptions of the other party's trustworthiness. They might also be intentional influence strategies designed to shape the other parties' motivated attributions.

The value of large, unambiguous trusting acts (risks) between polarized counterparts in international relations has also been repeatedly noted. For example, Kahn and Kramer (1990) described the importance of Anwar Sadat's (1977) trip to Jerusalem as a major unilateral initiative that created the potential for future value – at considerable risk to Sadat. (Also, consistent with our model, it is not clear whether Sadat fully appreciated the risks to which he was exposing himself). His groundbreaking visit opened the doors to the Camp David Accords and ultimately a peace treaty between Israel and Egypt. It probably also energized the internal Egyptian opposition that culminated in his assassination. Kahn and Kramer (1990) also highlight Gorbachev's repeated unilateral concessions to Reagan and the United States as catalysts for the development of trust and the consequent creation

of considerable joint value. Consistent with our model, some observers have noted that, after such repeated concessions, norms of reciprocity and social pressures demanded a conciliatory response from Reagan.

Despite these provocative examples of interorganizational and international trust processes that mirror our model's predictions, it is important to note that the actions of organizations may engender weaker feelings of obligation than do the actions of individuals because people tend to view organizations less personally than they do individuals. The financial services industry, for example, appears fully aware of the strength of interpersonal connections because they assign personal bankers to clients to establish a stronger sense of loyalty than any that could be engendered by repeated interactions with different organizational representatives. The same phenomenon is true in sales in general: organizations try to build personal relationships with their clients through regular, repeated contact between the same individuals. Thus, the predictions of the motivated attributions model may be applicable in inter-organizational contexts, particularly when individuals' decisions figure prominently. More generally, we expect that feelings of dependence are relevant for parties that may be much larger than individuals or small groups. We predict that it will also influence the proclivity to engage in large, seemingly irrational acts of trust between departments, divisions, organizations, and even nations, but these influences may be less direct and less potent.

DISCUSSION

Rational choice approaches to trust development cannot easily explain large, "irrational" trusting acts, even though they occur with considerable frequency. This observation led us to formulate a motivated attributions model of trust development that focuses on: (1) the role of attributions as mediators in trust and reciprocity decisions; (2) asymmetries in the perceptions, cognitions, and judgments of the trusting parties; (3) the motivated nature of attributions; and (4) the dynamics of dependence and asymmetric dependence.

Table 1 summarizes some of the fundamental differences and similarities between traditional rational choice models and our motivated attributions model of trust development.

Our core argument suggests that potential trustors may make exaggerated evaluations of a potential trusted party's trustworthiness. Such evaluations are the consequence of motivated perceptions and cognitions that accentuate goal-consistent evidence (i.e. of the other party's trustworthiness) while failing to observe or actively discredit disconfirming evidence. These exaggerated

Table 1. A Motivated Attributions Model of Trust Development Versus Traditional Rational Choice Models of Trust Development.

	Expected Pattern of Trust Development	Risk Orientation	Cognitive Processing	Potential for Making Attributional Errors	Search for Information About Counterpart	Views Parties to Trust Development . . .
Traditional “rational choice” models						
	Gradual S-curve	Cautious and defensive	Deliberate, careful, and comprehensive	Low	Comprehensive and complete	. . . as generally *symmetric* in terms of interests and motivations.
Motivated attributions model						
	Low motivation: Gradual S-curve	Low motivation: Cautious and defensive	Low motivation: Unlikely and haphazard	Likely; driven by motivation (i.e. low motivation → “undertrust”; high motivation → “overtrust”)	Low motivation: Unlikely	. . . as often *asymmetric* in terms of interests and motivations.
	High motivation: Steep, accelerated S-curve	High motivation: Risky and provocative	Moderate motivation: Somewhat careful and deliberate		High motivation: Relatively little; avoiding reasons not to trust	
			High motivation: Shallow and goal-driven			

evaluations of trustworthiness are likely to be shaped by feelings of dependence and can lead to precipitous acts of trust. Relative to the small initial risks prescribed by rational choice approaches, precipitous acts of trust have the advantage of overcoming a trusted party's natural inclinations to be defensive: such serious acts demand attention and are difficult to attribute to motives other than trust. These characteristics increase the probability of reciprocity and, as a result, they also contribute to the potential for accelerated trust development.

We conceptualize our motivated attributions model of trust development as a general model that encompasses the rational choice approach. The gradual S-curve of rational trust development (Fig. 1) fits the assumptions of our motivated attributions model, particularly when the parties' feelings of dependence are similar, mild to moderate in degree, and when trust actually develops.

This last point is important. Small trusting acts signal small investments in a potential relationship: they are less likely to generate reciprocity, which, if not forthcoming, can terminate the process and lead initial trustors to seek other means to achieve the benefits that they desire. This implies that rational choice models may have developed by sampling on the dependent variable – mapping out the trust development process *only when it happens* – rather than predicting all of the possible responses to small, incrementally trusting acts. Therefore, in addition to explaining normal acts of precipitous, irrational trust and their efficacy, the motivated attributions model also identifies when and why trust may fail to develop, even in the absence of negative information about a trusting party or a breach of trust.

A natural question that arises from our approach concerns the potential for strategic manipulation of another's trust by engaging in precipitous acts of trust. Our primary focus has been on the natural emergence of trusting acts, which implies that trusting acts are neither particularly deliberate nor strategic. Indeed, we suggest that a lack of deliberate calculation, which arises from biased perceptions and motivated aspirations, leads to what Luhman (1979) has called "supererogatory" acts of trust, i.e. doing more than is required. Cialdini (1993), however, has noted that professional salespeople and fundraisers can (and do) exploit our natural tendency to reciprocate. Clearly, there is potential for manipulation in the trust development process. Such strategic behavior is difficult to the extent that being perceived as calculative or strategic rather than genuine elicits non-reciprocity. In contrast, the unique combination of sincerity plus a precipitous act of seemingly irrational trust can increase the likelihood of reciprocity and truly accelerate the trust development process. The challenge for trusted parties, then, is to be able to detect insincerity. The challenges for strategic "trustors" are to both appear sincere and be able to take risks that are truly precipitous. Ironically, these kinds of acts for sincere trustors may be most likely when they do not clearly identify and consider the effect of their dependence, i.e. when their choices are less "rational."

IMPLICATIONS

Cultivating trust is important for establishing, advancing, or cementing a relationship (Sheppard & Sherman, 1998). Our model extends existing theory by explaining the conditions under which precipitous acts of trust are most likely and why they may be surprisingly effective at achieving initial trustors' goals for a relationship.

One immediate implication of the motivated attributions model is for individuals in potentially trusting relationships to seriously consider the effects of their motivations, their dependencies, their need to see themselves positively, and their inability to fully understand their counterparts' perceptions. The model makes these considerations explicit by focusing on the attributions that surround initial trusting acts.

The model also suggests that people who are contemplating significantly risky trusting acts might make the motives for their acts explicit – or at least unambiguous. Clear statements of intent may be effective in ameliorating a trustor's exposure to risk by invoking the powerful norm of reciprocity (Cialdini, 1993; Gouldner, 1960). Depending on the circumstances, however, this kind of communication can backfire. Saying "I'm doing this because I trust you" may signal to trusted parties that the action is not based on trust but is chosen to manipulate. A party that "doth protest too much" may lead counterparts not to reciprocate. Thus, "the communication dilemma" in the trust development process requires that trustors reveal enough to be understood, but not so much that they lead their counterparts to question their sincerity. As is true of any communication process, this can be perilously difficult, requiring tremendously astute interpersonal sensitivity. Thus, rather than depend on communications that almost always contain some element of ambiguity, the strongest influence in developing trust may stem from acts that seem too risky, because they elicit more unambiguous attributions.

We have suggested that precipitous trusting acts that contradict the predictions and prescriptions of the rational choice approach to trust may be strategically (if unintentionally) advantageous. There is no doubt that those who take large, trusting risks are more vulnerable to exploitation than those who do not. Yet "what people often fail to see is the other side of the coin – the benefits foregone by distrusters" (Yamagishi, 2001, p. 142). In particular, the cautious initial trusting of rational actors may reduce the risk of exploitation but may simultaneously, and more seriously, reduce the likelihood of potentially profitable and advantageous opportunities and relationships. The logic of our new model, then, suggests that people's motivational proclivities and (consequently) imperfect and irrational reasoning may actually serve important, adaptive purposes (Simon, 1990).

In sum, the motivated attributions model expands the range of possible trusting actions and reactions that we might reasonably expect in interpersonal and inter-organizational interactions. It further provides a basis for predicting when to expect different patterns of trust development and clarifies why significant trusting acts can be perceived as normal and reasonable rather than irrational, especially to the actors themselves. It also portrays the trust development process as one that depends on each party's interpretations of each other's actions and which, as a result, may be far from smooth. By focusing on dependence and motivated attributional processes, it explains how trust tends to develop, at times against apparent odds, and why, too often, it may not.

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GENDER STEREOTYPES AND NEGOTIATION PERFORMANCE: AN EXAMINATION OF THEORY AND RESEARCH

Laura J. Kray and Leigh Thompson

ABSTRACT

Whether gender differences exist at the negotiation table is a timeless question. To address this question, we identify five major theoretical perspectives attempting to account for gender differences at the bargaining table. We distinguish these theoretical perspectives on the basis of the origin of gender differences and the research questions they address. A common thread that runs through each perspective is the gender stereotype, which presumes masculine skills are more valuable at the bargaining table than feminine skills. We then consider the empirical support for this basic assumption as approached by each theoretical perspective. Our review includes the two dominant bargaining paradigms identified by Nash (1950) – cooperative and non-cooperative (e.g. prisoner's dilemmas) negotiations – and non-interactive and group-level tasks. We then look forward by identifying a research agenda on this timely question for the new millennium.

I don't mind living in a man's world as long as I can be a woman in it.

–Marilyn Monroe

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Is the bargaining table a male domain? Do men and women have distinct bargaining styles? Do men and women differ in their ability to create and claim value? To succeed in negotiations, must women adopt a stereotypically masculine bargaining style, or can they succeed by acting in a manner consistent with the female stereotype, as the opening quote suggests? Given the ubiquity of negotiations as a means of resolving differences, and the dramatic impact that even small differences in salaries can have on one's cumulative income, the question of whether and how gender affects negotiation processes and outcomes is of paramount importance.

In this chapter, we examine three central questions concerning gender and negotiation: (1) do gender differences exist?; (2) if they do exist, why?; and (3) are there strategies and contexts that augment or reduce gender effects? A central theme throughout our review is that gender stereotypes are very pervasive and powerful in influencing how negotiators perform, what is expected of negotiators, and how the bargaining table is experienced differently for men and women. We assume that people hold a gender belief system, which is largely consistent with common gender stereotypes that address not only how men and women are presumed to act, but also how they are expected to act (Deaux & Kite, 1987; Eagly, 1983; Eagly & Wood, 1991; Fiske & Stevens, 1993). We argue that this gender belief system permeates virtually all aspects of the negotiation process for both women and men and, as such, often dictates how agreements unfold at the bargaining table.

Several aspects of the gender stereotype speak to negotiations. Specifically, the gender stereotype dictates that men act assertively, independently, and rationally, whereas women act emotionally, with concern for others, and passively (Deaux & Lewis, 1984; Spence, Helmreich & Stapp, 1974; Williams & Best, 1982). Because many stereotypically masculine traits are valued at the bargaining table, we argue that negotiators hold implicit theories about what it takes to succeed that places female negotiators at a disadvantage. Figure 1 depicts the implicit link between gender stereotypes and negotiation performance that we argue exists in the minds of most negotiators. Regardless of whether a given individual negotiator endorses this point of view, just being aware that this connection exists can influence bargaining behavior because the activation of stereotypes is virtually

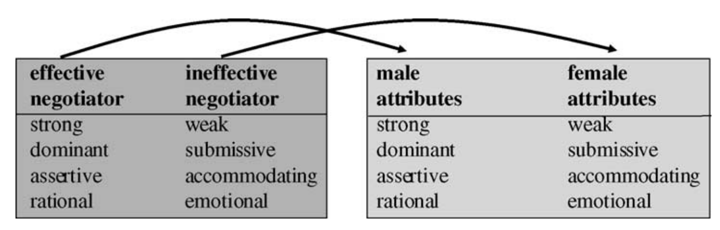


Fig. 1. The Gender Stereotype-Negotiation Link.

impossible to avoid (Devine, 1989). With this understanding in mind, we explore the literature to determine the conditions under which the gender stereotype captures the relationship between how men and women negotiate.

We begin with a brief historical overview to provide an understanding of how interest in the relationship between gender and negotiations has waxed and waned in popularity and evolved in perspective over several decades. We distinguish five theoretical arguments that underpin the empirical findings on gender and negotiations. We articulate the assumptions and hypotheses of these different theories and the research questions that have guided empirical research. As our review makes clear, theorizing about gender does not respect academic boundaries, as scholars in a range of biological and social sciences have proposed theories of when and why men and women differ. Our review does not presumptuously attempt to pull all of these theories together into a single model or even to pick the best one, in part because the differing methodological approaches across perspectives render critical comparisons difficult. Instead, we aimed to define the key theoretical traditions that are still active today and determine what support exists for them in the literature. By adopting a cross-disciplinary approach and covering multiple methodological terrains, we present a comprehensive review of the empirical findings to date on this topic. We finish by proposing an agenda for the next generation of gender and negotiations research.

A BRIEF HISTORICAL REVIEW OF GENDER AND NEGOTIATIONS RESEARCH

A commonly asked question about negotiation is, "How well do women do at the bargaining table relative to men?" The first textbook to appear in the field of negotiation over 25 years ago, *The Social Psychology of Bargaining and Negotiation*, by Rubin and Brown (1975), tackled this question head-on in their analysis of negotiation. The authors devoted six pages of their 300-page textbook to gender. The essence of their perspective was the following (p. 173):

> Our argument is not that males and females differ in their inherent propensity to bargain cooperatively with another, but rather that they are sensitive to different cues. Women, like high IOs [Interpersonal Orientations] (and cooperative high IOs, in particular), are highly sensitive and reactive to the interpersonal aspects of their relationship with the other. Males, like low IOs, orient themselves not to the other, but to the impersonal task of maximizing their own earnings. When earnings can best be maximized through the use of a competitive strategy, males tend to compete; on the other hand, when a cooperative strategy seems most likely to maximize own earnings, males cooperate.

Simply put, this analysis suggests men and women pursue different agendas at the bargaining table. However, few data were presented to back up this claim. Following this seminal publication, major texts and popular books on negotiation were relatively silent on the topic of gender for several decades. Our suspicion is that the socio-political climate of gender equality deemed it improper to search for, much less herald, gender differences.

To determine the level of attention devoted to gender and negotiations, we examined the following six popular books on negotiations: *Getting to Yes* (Fisher, Ury & Patton, 1991), *The Art and Science of Negotiation* (Raiffa, 1982), *Essentials of Negotiation* (Lewicki, Saunders & Minton, 2000), *The Manager as Negotiator* (Lax & Sebenius, 1986), *Negotiating Rationally* (Bazerman & Neale, 1992), and *The Mind and Heart of the Negotiator* (Thompson, 2001). The books comprised over 1600 pages of text, yet the topic of gender and negotiation appeared on only 1/2 of 1%, or 8 collective pages. Sometimes the mention of gender was not even in the main body of the text, but rather the appendix.

But recently attention has turned to this topic. Several books and articles have appeared in the popular press on just this question, including *Her Place at the Table: A Consideration of Gender Issues in Negotiation* (Kolb & Coolidge, 1991), *The Good Girl's Guide to Negotiating* (Whitaker & Austin, 2001), *Women Don't Ask: Negotiation and the Gender Divide* (Babcock & Laschever, 2003), *The Shadow Negotiation* (Kolb & Williams, 2000), and *A Woman's Guide to Successful Negotiating* (Miller & Miller, 2002). And a relatively small publication in an academic journal in 2003 was cited in six different popular international business publications (Barron, 2003). Whereas each book approaches the question from a slightly different angle and varies in its comprehensiveness, they all acknowledge the complexity of this seemingly innocuous question.

Experimental researchers have also renewed their interest in the question of how gender affects negotiations. In recent years, original empirical research on gender has resurfaced with a ferocious presence. Yet despite the publication of two notable meta-analyses (Stuhlmacher & Walters, 1999; Walters, Stuhlmacher & Meyer, 1998), it is difficult to determine the "bottom line" of this daunting body of research. Whereas this statement might seem to be a direct contradiction to our observation that there has been relatively little research on gender, it is a question of perspective. We examined published articles within 10 major experimental negotiation research outlets (*Academy of Management Journal*, *Journal of Personality and Social Psychology*, *Journal of Experimental Social Psychology*, *Organizational Behavior and Human Decision Processes*, *Personality and Social Psychology Bulletin*, *Journal of Applied Psychology*, *International Journal of Conflict Management*, *Negotiation Journal*, *Group Decision and Negotiations*, and *Journal of Conflict Resolution*) and observed that the volume

of negotiation studies on gender ($N = 14$) is relatively small compared to the number of negotiation studies on judgment bias ($N = 37$), cognition ($N = 21$), motivation ($N = 29$), and aspirations ($N = 26$) published in the same time period (1965–2004). In fact, the 93 articles studied in this review spanned at least 6 disciplines (psychology, sociology, management, communications studies, law, and economics) and a diverse assortment of publication outlets. This pattern suggests the gender and negotiation topic is truly interdisciplinary, scattered across several fields and domains rather than just housed within one discipline.

The Scope of Our Review

One reason for the apparent lack of conclusive findings regarding gender differences is that the question has been examined through different theoretical lenses in different contexts, using different types of negotiation tasks, and with different measures of process and performance. Thus, the conclusions of a given empirical examination may contradict another finding because the context of the question has substantially changed. We identify three relevant methodological characteristics for understanding gender differences in negotiations: (1) experimental paradigm; (2) dyad gender composition; and (3) negotiation performance measure. In Table 1, we sort the articles included in this review by each of these characteristics.

We consider abstract prisoner's dilemma type-games (PDGs) and face-to-face behavioral negotiation tasks, as well as non-interactive studies that speak to how resources are divided and what is considered fair across gender. Whereas a PDG typically involves an unknown opponent and limited communication, the behavioral negotiation task involves adopting a role and interacting with another research participant to reach an agreement over a set of negotiation terms. Although both tasks involve a tension between cooperation and competition, they differ in that individual gain is typically maximized in a PDG through a consideration of solely one's own interests, whereas individual gain is typically maximized through the integration of interests in a behavioral negotiation task (Morgan & Tindale, 2002). Because of the different rational courses of action and the different level of communication between parties, these two types of tasks speak to different questions about the role of gender and negotiations. Whereas a PDG provides a clean test of how the gender of a player or an opponent impacts cooperation versus competition, the behavioral negotiation task provides a wider range of possible dependent variables both in terms of process and outcomes. By considering a range of paradigms, our goal is to be comprehensive in our review (see Tables 2–5 for a description of each article included in this review, sorted by the paradigm utilized).

Table 1. Summary of Number of Studies by Gender Composition and Task Characteristics (Studies Detailed in Tables 2–4).

	Type of Task		
	Prisoner's Dilemma Type-Game	Behavioral Negotiation	Other
Gender composition			
Same-sex vs. mixed-sex	14	11	8
Same-sex vs. same-sex	7	13	2
Mixed-sex only	2	11	6
Same-sex only	1	0	0
Confederate	11	6	2
Partner gender unknown	5	2	0
Task characteristics			
Process measures	15	29	28
Outcome measures	23	30	18
Median publication date	1976	1996	1990

Note: *N*'s do not add up to total number of studies in some cases because single studies can be multiply-classified.

Dyad composition is another variable that profoundly impacts the questions that can be addressed in a negotiation study on gender. For example, negotiation studies that compare same-sex dyads to mixed-sex dyads allow researchers to examine what effect the gender of one's negotiating partner has on a focal negotiator's behavior. In contrast, studies that compare male-male dyads to female-female dyads speak to whether men as a group differ from women as a group. Studies that explore behavior solely within mixed-gender dyads address the question of whether women versus men are more effective at claiming value. Studies that employ a confederate as one negotiator are able to examine whether men and women respond differently to identical behavior. Lastly, studies comparing how men and women behave with a negotiator of unknown gender can address whether gender affects the inferences that are likely to be made about one's partner and how gender impacts behavior in contexts in which gender is not likely to be salient. One notable observation from Table 1 is that the use of confederates is most common in PDG-type contexts, perhaps because the abstraction lends itself to simple confederate "scripts." We also note that the majority of research examining behavior solely within mixed-gender dyads, which answers the question of how men and women divide resources, has been conducted within behavioral negotiation tasks. Contextual changes affect what questions can be addressed and hence our understanding of gender in negotiations.

The third factor that likely obscures our understanding of this body of literature is the wide range of dependent variables. Perhaps of all of the leading indicators of performance in interpersonal situations, how one fares at the bargaining table is the single most "measurable." The minute that we learn a neighbor, friend, or colleague has made a new purchase of a house or a car, atop everyone's mind is how much they paid and how good a deal they got. In our review, we distinguish between economic versus subjective or psychological measures of performance (cf. Thompson, 1990). Within economic measures of performance, we further distinguish between joint versus individual value or outcomes. Subjective measures of negotiation behavior include negotiator style (e.g. cooperative versus competitive), negotiator self-assessments (e.g. confidence, strengths and weaknesses), feelings of satisfaction, trust in the other party, propensity to initiate a negotiation, and willingness to work together in the future.

THEORETICAL APPROACHES TO THE STUDY OF GENDER AND NEGOTIATION

We begin with a broad sketch of five theoretical approaches to the study of gender differences in negotiation. These approaches differ in terms of the hypothesized locus of gender effects (focal negotiator, negotiation partner, negotiating dyad interaction, situation, focal negotiator $\times$ situation). Whereas at first blush this categorization might appear to be based solely on methodological considerations, we argue that these distinctions are also theoretically relevant. That is, each approach articulates a different argument about the source of gender differences at the bargaining table. These perspectives vary in the degree to which they endorse nature versus nurture as the cause of gender differences. They also differ in the extent to which the actions of a "focal" negotiator versus his or her negotiating partner's behavior, or a reciprocal combination of the two, are regarded to be the source of a gender gap. For example, whereas a focal negotiator approach might suggest that men and women differ fundamentally in how they approach conflict, a negotiation partner approach might argue that men and women are fundamentally alike at the onset of a negotiation, but that they experience different treatment by their negotiating partner, which results in differences in performance. Finally, these perspectives vary in the degree to which phenomena internal versus external to the negotiator are identified as causally linking gender and negotiation performance. We begin by articulating each theoretical perspective, followed by a review of the empirical results on negotiation.

Table 2. Five Perspectives on Gender and Negotiations: A Theoretical and Empirical Comparison.

Theoretical Perspective	Argument Summary	Dependent Variables Observed in Literature	Hypothesized Direction of Gender Effect	Support for Hypothesis (*noted exception)
Focal Negotiator				
Socialization	Males are quantitative & aggressive; Females are verbal & emotional	*Negotiation Process* –cooperation/competition –goals –verbal dialogue –strategic beliefs –dyadic mutual gaze	M > F (baseline)	√ *FF > MM (competitive in PDG) *F > M competitive with weak, cooperative opponent
Self-construal	Males see themselves as independent; Females see themselves as interdependent	–negotiation length *Performance* –individual gain	F > M in dispute resolution	√
Moral values	Males engage in abstract reasoning; Females engage in care-based, relational reasoning	–joint gain –unrelated task –allocation decisions –dispute resolution *Subjective Assessments* –trust/trustworthiness –confidence –expectancies –satisfaction –fairness judgments –strategy appropriateness –attribute values	FF > MM in joint gain	*MM > FF

Negotiating Partner				
Expectancies	Expectancy confirming behavior is received more favorably than expectancy disconfirming behavior, creating greater self-presentational concerns for women than men in negotiations	*Negotiation Process* –cooperation/competition –response to demand –response to cooperation –stereotype-consistent behavior	M > F	√
Discrimination	Negotiators vary their behavior on the basis of their partner's gender	*Negotiation Performance* –offer attractiveness	M > F (baseline)	√
Deconstructionist	Women's positive attributes are devalued at the bargaining table; Negotiations research is biased against women	–allocation decisions	F > M under chivalry	√
		Subjective Assessments –expected cooperation/competition		
		–gender attributions –persuasiveness –evaluation of partner behavior	M > F	Not empirically tested
Negotiating Dyad Interaction				
Behavioral confirmation	Negotiating partners' expectancies elicit expectancy-consistent behaviors from focal negotiators	*Negotiation Process* –cooperation/competition *Negotiation Performance* –allocation decisions	M > F	√

Table 2. *(Continued)*

Theoretical Perspective	Argument Summary	Dependent Variables Observed in Literature	Hypothesized Direction of Gender Effect	Support for Hypothesis (*noted exception)
Situation				
Power & Status	Males are conferred more status than females; Males have greater access to and are more comfortable in exercising power than females	*Negotiation Process* –negotiation propensity –dispute resolution strategy	M > F (baseline) M = F when situational factor is held constant	√ *M > F flexibility in conflict style on basis of power
Structural Position	Females are a numerical minority at the bargaining table, creating a disadvantage in mixed-gender negotiations	–dominance behavior –negotiation duration –conflict management style –cooperation/competition *Negotiation Performance* –individual gain –joint gain –unrelated task	M > F	√
Experience	Males have more negotiating experience and a broader network of mentors than females	*Subjective Assessments* –negotiating frequency –bargaining zone estimation –preferred team structure *Negotiation Process*	M > F	√ *M = F among MBAs negotiating job offer *F > M propensity to negotiate to resolve dispute

Focal Negotiator × Situation				
Stereotype Threat	Stereotypes become activated in certain contexts; The activation of negative stereotypes impairs performance for women	–goals –first offers –negotiation propensity –information usage –cooperation/competition	M = F (baseline) M > F under stereotype threat F > M under stereotype reactance and regeneration	√ √ √
Contextual Cues	Gender has more explanatory power in weak situations than strong situations; Situational variables moderate the relationship between gender and negotiations	*Negotiation Performance* –individual gain –joint gain –unrelated task –allocation decisions *Subjective Assessments* –confidence –expected performance –intended assertiveness	M = F in strong situations M > F in weak situations M > F & F > M (depending on situation)	√ * M > F propensity to negotiate under strong situation √

Table 3. Literature Review of Prisoner's Dilemma-Type Games Reporting Gender Differences (1965–2004).

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Bedell and Sistrunk (1973)	Dyad composition (same-sex, mixed-sex); Opportunity cost of using power	Cooperative choice	Repeated-trial prisoner's dilemma game	$N = 90$; FF dyads more competitive than MM or MF dyads. FF dyads maintained their level of competitive responses across multiple trials
Benton (1973)	Bargaining demands (extreme, minimum win, compromise)	Pre-task questionnaire; Allocation demands	Distributive restricted-communication bargaining game (mixed-sex dyads) (confederate)	$N = 278$; Ms rated themselves as more competent in settling conflicts of interest than Fs; Ms had greater expectation of winning than Fs; Fs were less self-serving in offers than Ms; Fs made more final offers that favored opponent than Ms
Benton (1975)	Dyad composition (MM, FF); Constituent surveillance (high, moderate, low, peers present)	Pre-task questionnaire; Points earned	Distributive bargaining chip game	$N = 432$; Ms expected constituents had higher standards and expected them to bargain with greater competitiveness than Fs; Under high surveillance, fewer Fs expect to win than Ms; Ms more sensitive to surveillance than Fs, becoming more competitive under high surveillance than low surveillance
Black and Higbee (1973)	Dyad composition (MM, FF); Threat of retaliation (yes, no), Power (participant, opponent, equal power); Time (5 trials)	Cooperative choice	Non-zero sum game (confederate)	$N = 72$; Without threat of retaliation, Ms exploited more when opponent had power than when they had power, whereas Fs exploited more when they had power than when opponent had power; With threat of retaliation, Ms exploited less when opponent had power than when they had power, whereas Fs were equally likely to exploit

Buchan, Croson and Solnick (2004)	Dyad composition (same-sex, mixed-sex); Opponent gender (known, unknown); Role (proposer, responder)	Amount proposed/returned; Post-game questionnaire	Trust game	*N* = 754, M more trusting than F; F behaved more trustworthy than M; Fs attitude toward pursuing partner's interest mediated their trustworthiness ratings
Caldwell (1976)	Communication level (none, coordination, sanctions); Payoff information (none, outcome matrix)	Cooperative choice; Post-task questionnaire	Repeated-trial prisoner's dilemma game (mixed-sex pentads)	*N* = 130; Ms described the situation as being more competitive than Fs; Fs indicated a greater belief that the cooperative choice was a better choice for maximizing their own score on a given trial than Ms
Croson and Buchan (1999)	Gender; Role (proposer, responder)	Amount proposed/returned	Trust game (opponent gender unknown)	*N* = 186; F responders returned a higher proportion of amount sent by proposer than Ms did
Ferguson and Schmitt (1988)	Dyad composition (same-sex, mixed-sex); Achievement (high, low); Anxiety (high, low)	Cooperative choice	Repeated-trial prisoner's dilemma game (confederate)	*N* = 80; Ps responded more cooperatively to F confederate than M confederate
Foddy (1978)	Dyad composition (MM, FF); Motivation (cooperative, competitive)	Duration and frequency of gaze	Repeated-trial variant of prisoner's dilemma game	*N* = 56; Fs engaged in longer gaze than Ms; FF dyads engaged in longer mutual gaze than MM dyads
Grant and Sermat (1969)	Dyad composition (same-sex, mixed-sex); Opponent skill level (Superior, equal, inferior)	Cooperative choice; Prediction of other player's choice; Prediction of own performance	Repeated-trial prisoner's dilemma game	*N* = 48, Ps maximized gains to the self while reducing gains to the other more against M than F; Ps acted more submissively toward superior other who was M than F; Ms expected to earn more points than Fs

Table 3. *(Continued)*

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Hartman (1980)	Dyad composition (MM, FF); Contingency level (2, 6); Cooperation (high, low)	Cooperative choice	Prisoners dilemma game (confederate)	$N = 128$; In 6-alternative PDG, Fs chose the maximize absolute gain alternative more and the minimize risk alternative less than Ms
Hottes and Kahn (1974)	Dyad composition (MM, FF); Communication (none, prior to trial, after 31st trial)	Cooperative choice; Post-task questionnaire	Repeated-trial prisoners dilemma game	$N = 60$; MM dyads more cooperative than FF dyads; MM dyads increased cooperation over trials more rapidly than FF dyads
Ingram and Berger (1977)	Sex-role orientation (traditional, career); Defensiveness (high, low); Opponent sex-role orientation (traditional, career)	Cooperative choice; Expected cooperation	Repeated-trial prisoners dilemma game (same-sex dyads) (confederate)	$N = 57$; Career-oriented Fs were less defensive than traditional-oriented Fs; Career-oriented Fs more neutral than traditional-oriented Fs; High defection of traditional Fs was due to highly defensive subgroup; Career oriented F avoided competition regardless of level of defensiveness
Kahn, Hottes and Davis (1971)	Dyad composition (same-sex; mixed-sex)	Cooperative choice; post- game questionnaire	Repeated-trial prisoners dilemma game	$N = 120$; Fs were less cooperative than Ms
King, Miles and Kniska (1991)	Gender; Strategy of opponent (competitive, cooperative, tit for tat)	Attribution of sex to opponent	Repeated-trial prisoner’s dilemma game (confederate)	$N = 107$; Competitive opponents were presumed to be Ms more often than Fs
Knight (1980)	Dyad composition (same-sex, mixed-sex); Opponent strategy (cooperative, competitive)	Cooperative choice; post-task questionnaire (Interpersonal Judgment Scale)	Repeated-trial prisoner’s dilemma game (confederate)	$N = 96$; Opponent strategy influenced choice behavior in same-sex dyads only; Ps rated F confederate more positively than M confederate

Kravitz and Iwaniszek (1984)	Team composition (all female, all male); Resources (yes, no); Number of alternatives	Player payoff; Post-task questionnaire	Distributive repeated-trial coalition bargaining game	$N = 130$; M groups received larger payoff than F groups
Mack, Williams and Kremer (1979)	Gender	Bem's Sex Role Inventory; Cooperative choice	Repeated-trial prisoner's dilemma game (confederate)	$N = 201$; Ms more competitive than Fs with non-contingent cooperative opponent; Fs acquiesced to the characteristics of their opponent more so than Ms; Both Ms and Fs ascribed masculine traits to computer opponent
Orbell, Dawes and Schwartz-Shea (1994)	Group composition (same-sex, mixed-sex)	Expected cooperation; Expected decision to play; Cooperative choice; Decision to play	Repeated-trial prisoner's dilemma game (6-person groups)	$N = 108$; F opponents were expected to cooperate more than M opponents; This pattern was greater for general Fs than specific Fs; Ms were expected to play more than Fs
Rapoport and Chammah (1965)	Dyad composition (same-sex, mixed-sex)	Cooperative choice	Repeated trial prisoner's dilemma game	$N = 420$; FF dyads were more competitive than MM dyads; Differences in competition emerged after 1st 2 trials, suggesting an interactive process
Scharlemann, Eckel, Kacelnik and Wilson (2001)	Dyad composition (same-sex, mixed-sex); Smile (yes, no)	Amount proposed/returned	Trust game	$N = 120$; Ms trusted Fs more than other Ms; Fs trusted Ms more than other Fs; Ms discriminated between smile and non-smile more so than Fs

Table 3. *(Continued)*

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Skotko, Langmeyer and Lundgren (1974)	Dyad composition (same-sex, mixed-sex); Experimenter gender (male, female)	Cooperative choice	Repeated-trial prisoner's dilemma game	$N = 134$; With M experimenter, FF dyads were more competitive than MM dyads; With F experimenter, no differences between dyad composition; FF dyads showed greater sensitivity to sex of experimenter than MM dyads
Smith, Vernon and Tarte (1975)	Dyad composition (same-sex, mixed-sex); Pre-treatment opponent cooperation (80%, 20%)	Cooperative choice	Repeated trial prisoner's dilemma game followed by tit-for-tat trials (confederate)	$N = 96$; M opponents elicited more cooperation than F opponents; Initial opponent cooperation elicited more cooperation for M opponent than F opponent; Fs cooperated more with high cooperation opponent than Ms
Solnick (2001)	Dyad composition (same-sex, mixed-sex, unknown)	Amount offered; Amount demanded	Ultimatum game	$N = 178$; Fs offered more to Ms than other Fs; Ms were offered more than Fs; Ps made greater demands on Fs than Ms
Solnick and Schweitzer (1999)	Dyad composition (same-sex, mixed-sex); Opponent attractiveness; Role (proposer, responder)	Amount offered; Amount demanded	Ultimatum game (confederate)	$N = 108$; Ms were offered more than Fs; Ps made greater demands on Fs than Ms

Tedeschi, Powell, Lindskold and Gahagan (1969)	Gender; Honoring of partner promise (1st 5, last 5, 3–7, odd-number, control); Trial	Intention to cooperate; Cooperative choice	Repeated-trial prisoner's dilemma game (confederate)	$N = 50$; Fs more cooperative than Ms on promise trials; Fs more likely to promise to cooperate than Ms; Fs more truthful when promised to cooperate than Ms.
Vinacke, Mogy, Powers, Langan and Beck (1974)	Triad composition (all male, all female); Triad strategy (exploitative, accommodative, mixed); Communication (present, absent); Order	Expected outcome; Coalition choices; Score	Coalition game	$N = 144$; FFF triads arrived at mutually cooperative payoff more than MMM triads; FFF triads cooperate best when allowed to communicate
Wyer and Malinowski (1972)	Dyad composition (same-sex, mixed-sex); Opponent gender (known, unknown); Achievement level (high, low)	Cooperative choice; Post- game questionnaire	Prisoner's dilemma game	$N = 96$; F behave more competitively toward low achievers; M behave more competitively towards high achievers-; Ps who participated with opposite sex were more competitive when their own achievement level was low

Table 4. Literature Review of Behavioral Negotiation Tasks Reporting Gender Differences (1971–2004).

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Ayres and Siegelman (1995)	Gender; Race	Price quote; Post-task questionnaire	Distributive negotiation (confederate)	$N = 306$; Ms were quoted lower prices than Fs
Barron (2003)	Dyad composition (same-sex; mixed-sex)	First offer; Salary; Post-negotiation interview	Distributive negotiation (confederate)	$N = 38$; Ms made higher first offers than Fs; Ms indicated greater certainty of their own worth than Fs; Ms felt more entitled to earn more than others than Fs; Ms reported a stronger motivation to prove their worth during the negotiation than Fs, who were more motivated to prove their worth on the job
Benton (1971)	Dyad composition (MM, FF); Role (passer, failer); Relationship (friends, non-friends, neutrals)	Negotiation allocation decision; Content analysis; Pre- and post-task questionnaire	Distributive negotiation	$N = 96$; Without equality option, FF dyads agreed to an equity solution more often than did MM dyads; Ms anticipate equity-based evaluations with friends and non-friends, whereas Fs only do with non-friends; F non-friends evaluated each other more negatively than M non-friends
Bowles, Babcock and McGinn (2004) [Expt. 1]	Advocacy role (Self, other)	Negotiation performance; Individual pre-task survey; Joint post-task survey	Distributive negotiation (Mixed-sex dyads)	$N = 550$; Ms set higher goals than Fs Pre-negotiation expectations were more aligned between Ms and Fs when they expected to negotiate as an advocate than a personal negotiator

Bowles, Babcock and McGinn [Expt. 2]	Clarity of bargaining zone (weak, strong)	Negotiation performance	Distributive negotiation (Mixed-sex dyads)	$N = 238$ (discarded 132); Ms performed better than Fs with weak clarity of bargaining zone
Burford, Foley, Rollins and Rosario (1996)	Dyad composition (same-sex, mixed-sex)	Behavior (gave, forfeited, took); Manner of behavior (negotiation, neutral, coercion)	Distributive negotiation	$N = 38$; In same-sex dyads, Fs more likely to give than Ms, Ms more likely to coerce than Fs, Fs more likely to negotiate than Ms; In MF dyads, Ms more likely to take than Fs; Ms took more often in MF dyads than MM dyads
Calhoun and Smith (1999)	Dyad composition (MM, FF); Self concern (high, low); Other concern (high, low)	Joint gain; Negotiation process; Post-task questionnaire	Mixed-motive negotiation	$N = 270$; When self concern and other concern were low, higher joint gain for MM dyads than FF dyads; Joint gain was higher in FF dyads when self concern and other concern were high than when self concern was low and other concern was high
Cantrell and Butler (1997)	Dyad composition (MM, FF); Gender of observer (male, female)	Negotiation performance; Post-task questionnaire	Mixed-motive negotiation	$N = 259$; MM dyads more domineering in negotiation when observed by F
Deal (2000)	Group composition (all male, all female); Motive (competitive, mixed-motive)	Information sharing; Pre- and post-task questionnaire	Group negotiation task	$N = 267$; Ms reported more intentional information use than Fs; Ms more likely to use self-helpful and other-harmful information than Fs under competitive motives

Table 4. *(Continued)*

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Griffith (1991)	Dyad composition (MM, FF); Personality (oral-obsessive, oral-hysterical, obsessive-hysterical)	Time spent negotiating; Who spoke first; Negotiation outcome	Distributive negotiation	$N = 116$; MM dyads negotiated faster than FF dyads; Ms believed their partner preferred to go first, whereas Fs believed their partner preferred to go last; This gender difference was greatest for high oral Ps
Halpern and McLean Parks (1996)	Dyad composition (MM, FF)	% money allocated; Time until money is discussed; Process coding	Low conflict negotiation	$N = 50$; MM dyads mentioned money earlier, were more likely to discuss positions and were more likely to use confrontational techniques than FF dyads; FF dyads more likely to discuss personal information than MM dyads
Kimmel, Pruitt, Magenau, Konar-Goldband and Carnevale (1980)	Dyad composition (MM, FF); Aspirations; Trust	Negotiation process; Joint gain; Post-task questionnaire	Mixed-motive negotiation	$N = 120$, Fs engaged in less distributive behavior than Ms; Fs were less interested in the task than Ms, especially under high aspirations; Fs made fewer statements and fewer references to their company than Ms
King and Hinson (1994)	Dyad composition (same-sex, mixed-sex); Equity sensitivity	Settlement amount; Concern for relationship	Distributive negotiation	$N = 248$; Fs negotiated lower settlement values than Ms; Fs more concerned with relationship than Ms; Fs perceive more opponent concern with relationship than Ms
Kray and Haselhuhn (2004)	Lay ability belief (fixed, malleable, control); Stereotype activation (implicit, explicit)	Negotiation outcome	Mixed-motive negotiation (Mixed-sex dyads)	$N = 134$; Negotiators with a malleable belief outperformed negotiators with a fixed belief; Fs only reacted against negative gender stereotype under malleable belief condition

Kray, Galinsky and Thompson (2002) [Study 1]	Stereotype activation (female positive, gender neutral)	Negotiation outcome; Pre- and post-task questionnaire	Distributive negotiation (Mixed-sex dyads)	$N = 122$; Fs set higher goals, outperformed, and felt more prepared than Ms in female positive stereotype condition; Ms set higher goals, outperformed, and felt more prepared than Fs in gender neutral condition than Fs; Goals mediated relationship between gender and performance
Kray, Galinsky and Thompson (2002) [Study 2]	Negative stereotype activation (male, female)	Negotiation outcome	Mixed-motive negotiation (Mixed-sex dyads)	$N = 42$; Fs outperformed Ms in male negative stereotype condition; Ms outperformed Fs in female negative stereotype condition
Kray, Thompson and Galinsky (2001) [Study 1]	Performance diagnosticity (non-diagnostic, diagnostic)	Negotiation outcome; Pre- and post-task questionnaire	Distributive negotiation (Mixed-sex dyads)	$N = 36$; Ms expected to perform better, made more aggressive opening offers and outperformed Fs in diagnostic condition only
Kray, Thompson and Galinsky (2001) [Study 2]	Gender composition (same-sex, mixed-sex); Stereotype activation (one negotiator, control)	Negotiation outcome; Post-task questionnaire	Distributive negotiation	$N = 238$; Ms performed better against Fs than other Ms; In MF dyads, Ms performed better than Fs and Ms performed better and were more confident against Fs after stereotype activation than control

Table 4. (*Continued*)

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Kray, Thompson and Galinsky (2001) [Study 3]	Stereotype activation (implicit, explicit)	Negotiation process; negotiation outcome	Distributive negotiation (Mixed-sex dyads)	$N = 36$; Ms outperformed Fs after implicit stereotype activation; Fs made more aggressive opening offers and outperformed Ms after explicit stereotype activation
Kray, Thompson and Galinsky (2001) [Study 4]	Dyad composition (same-sex; mixed-sex); Stereotype activation (reactance, superordinate identity, control)	Negotiation outcome; Pre- and post-task questionnaire	Mixed-motive negotiation	$N = 124$; Fs more likely to identify emotion as key weakness in control condition than Ms; Ms more likely to identify emotion as key weakness in reactance condition than Fs; In MF reactance dyads, Fs outperformed Ms; Ms outperformed Fs in the control condition; In MF dyads, joint gain was higher in superordinate identity condition than others; Ms felt more powerful in the control than Fs
Kray, Reb, Galinsky and Thompson (2004) [Study 1]	Masculine stereotype activation (implicit, explicit); Gender power advantage (male, female)	Negotiation process coding; Negotiation outcome	Mixed-motive negotiation (Mixed-sex dyads)	$N = 94$; High power negotiator outperformed low power negotiator; Fs only reacted against explicit masculine stereotype activation when in high power role; Explicit stereotype activation led to more contentious negotiations; High power Ms referenced their BATNA more than low power Ms; Power did not affect F references to BATNA

Kray, Reb, Galinsky and Thompson (2004) [Study 2]	Feminine stereotype activation (implicit, explicit); Gender power advantage (male, female)	Negotiation outcome; Pre-negotiation questionnaire	Mixed-motive negotiation (Mixed-sex dyads)	*N* = 68; High power negotiator outperformed low power negotiator; Joint gain was higher after explicit feminine stereotype activation than implicit activation
Matheson (1991)	Dyad composition (same-sex, unknown)	Opponent perceptions; Expectations	Repeated-trial distributive negotiation (confederate)	*N* = 105; In opponent gender unknown condition, no differences in expectations between Ms and Fs; When opponent was believed to be F, perceived as more cooperative and less exploitative than M
Miles and LaSalle (2004)	Dyad composition (same-sex, mixed-sex)	Joint gain	Mixed-motive negotiation	*N* = 562; FF dyads achieved a lower joint gain than MF or MM dyads
Nadler and Nadler (1985)	Dyad composition (same-sex, mixed-sex); Power (high, low)	Pre- and post-task questionnaire; Negotiation outcome	Distributive negotiation	*N* = 174; Ms made more aggressive opening offers than Fs; Negotiators with M high power performed worse than with F high power; With high power Ms, low power Ms outperformed low power Fs; Low power Fs performed better with F high power than M high power
Neu, Graham and Gilly (1988)	Dyad composition (MM, FF)	Negotiation process; Negotiation outcome; Post-task questionnaire	Mixed-motive negotiation	*N* = 162; Ms outperformed Fs; Ms used more questions, self-disclosures, interruptions, “we” pronouns than Fs; Ms negotiated longer than Fs

Table 4. *(Continued)*

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Pruitt, Carnevale, Forcey and Van Slyck (1986)	Dyad composition (MM, FF); Constituent surveillance (yes, no); Constituent gender (male, female)	Negotiation outcome; Pre- and post-task questionnaire	Mixed-motive negotiation (confederate)	$N = 160$; Without surveillance, Ps behave more contentiously when constituent was F than M; with surveillance, Ps behaved more contentiously when constituent was M than F; Surveillance by M constituents led to greater outcome asymmetry than F constituents; Ms expected to be more competitive than Fs
Pruitt and Syna (1985)	Dyad composition (MM, FF); Opponent demand (soft, hard); Opponent concession rate (fast, slow); Information (none, limited, prominent solution; equal outcome)	Concession rate; Post-task questionnaire	Distributive negotiation (confederate)	$N = 97$; Fs more likely to exploit a soft opponent than Ms
Skrypnek and Snyder (1982)	Type of task (masculine, feminine); Perceiver beliefs (target female, target male)	Allocation decisions; Post-task questionnaire	Multi-round distributive negotiation(mixed-sex dyads)	$N = 244$; Fs selected more stereotypically feminine tasks when their M counterpart believed his partner was F than M; Fs reported feeling more masculine when perceiver thought she was M than F
Smeltzer and Watson (1986)	Gender	Discussion analysis	Collective bargaining task(mixed-sex groups)	$N = 72$; Fs spoke more disclaimers, interrupted more, and were less successful in their interruption attempts than Ms

Stevens, Bavetta and Gist (1993)	Dyad composition (same-sex, mixed-sex); Type of training (negotiation tactics, goal setting, self-management)	Negotiation outcome; Pre- and post-negotiation questionnaire	Distributive negotiation (confederate)	$N = 60$; Fs negotiated lower payoffs than Ms following initial training, but controlling for goals eliminated effect; Gender differences reduced for self-management Ps only, mediated by perceived control
Vallacher, Callahan-Levy and Messe (1979)	Dyad composition (same-sex, mixed-sex); Bargaining medium (face-to-face, apart)	Negotiation outcome; Length of negotiation	Distributive negotiation	$N = 96$; MF dyads reached agreement more quickly when bargaining face-to-face than when apart; Medium did not affect bargaining for same-sex dyads
Wall (1976)	Dyad composition (MM, FF); Constituent bargaining orientation (Competitive, cooperative)	Negotiation outcome; Number of agreements reached; Constituent directives	Multi-round distributive negotiation	$N = 132$; F constituents issued more cooperative directives than M constituents; Representatives with F constituents were more cooperative than representatives with M constituents; F dyads took less time to reach agreement than M dyads
Watson and Hoffman (1996)	Dyad composition (same-sex, mixed-sex); Organizational power (high, low)	Negotiation outcome; Pre- and post-task questionnaires	Distributive negotiation	$N = 80$; Fs reported less confidence pre-negotiation than Ms; Fs reported less satisfaction post-negotiation than Ms
Wolfe (2004)	Dyad composition (MM, FF); Power symmetry (yes, no)	Negotiation outcome; Post-task questionnaire	Integrative negotiation	$N = 60$; Power asymmetry has greater effect on joint gains for MM dyads than FF dyads

Table 5. Other Types of Empirical Studies Related to Gender and Negotiations (1977–2004).

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Babcock, Gelfand, Small and Stayn (2004)	Gender; Domain (work, non-work)	Propensity to negotiate; Negotiation process	Survey	$N = 441$; M negotiated more recently than Fs; Fs less likely to initiate a negotiation at work than Ms; No differences outside of work; Fs less likely to recognize opportunity for negotiation; Fs less likely to feel entitled to get what they want; Fs tend to have increased apprehension prior to negotiation
Barry (1999)	Gender; Type of emotion	Appropriateness and efficacy of emotion ratings	Survey	$N = 72$; Ms regarded tactical displays of negative emotions to be more appropriate and more likely to use than Fs
Burgoon, Dillard and Doran (1983)	Gender; Message strategy (expected, unexpected); Gender role (traditional, nontraditional)	Expected communication behavior; Personal attributes questionnaire	Survey	$N = 125$; Fs were expected to use fewer verbally aggressive and more prosocial message strategies than Ms were; Ms and Fs who persuaded in an expectancy-inconsistent manner were less effective than those who persuaded in an expectancy-consistent manner
Callahan-Levy and Messe (1979)	Group composition (same-sex, mixed-sex); Allocation target (self, other)	Allocation amount; Pre- and post-task questionnaires	Allocation task	$N = 126$; Fs paid themselves less than Ms; Fs paid themselves less than other people (M or F) paid them; Ss paid Fs more than Ms; Fs expected to do a better job than Ms

Carli (1990) [Expt. 1]	Dyad composition (same-sex, mixed-sex); Topic (drinking age, day-care)	Tentativeness of speech; Influence	Controversial topic discussion	*N* = 118; Fs were more tentative than Ms were, but only in mixed-sex dyads; Tentative Fs were more influential with Ms than Fs
Carli (1990) [Expt. 2]	Gender; Speaker sex; Speech (assertive, tentative)	Persuasiveness of message; Evaluation of speaker	Evaluation of oral presentation	*N* = 120; Fs were more influenced by assertive than tentative language; Ms were more influenced by tentative than assertive language; M speakers were judged to be more knowledgeable than F speakers; F assertive speakers were judged to be more knowledgeable than F tentative speakers
Chusmir and Mills (1989)	Gender; Situational context (home, work); Management position (low, middle, top)	Conflict resolution style	Survey	*N* = 201; Fs used compromise style more than Ms; Low and mid-level Ms compromised more at work than at home; Low-level Fs avoided conflict more at work than at home; Controlling for position, Ms and Fs used similar conflict resolution styles at work
Dalton, Todor and Owen (1987)	Dyad composition (same-sex; mixed-sex); Role (employee, supervisor)	Grievance resolution (win, lose)	Survey	*N* = 498; MM dyads were more likely to find in favor of employee than other dyad compositions

Table 5. (*Continued*)

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Davis (1978)	Dyad composition (same-sex; mixed-sex)	Order of disclosure; Topic choice; Post-task questionnaire	Get acquainted exercise	*N* = 112; Ms selected more intimate topics and reported more enjoyment of the encounters than Fs; MF dyads were more intimate than FF dyads; In MF dyads, Ms selected levels of intimacy independently, whereas Fs matched the pace set by Ms; Fs selected less intimate topics than Ms and reported less enjoyment of the encounters
d'Estrèe and Babbitt (1998)	Group composition (same-sex, mixed-sex)	Content analysis	Israeli-Palestinian peace negotiations workshop	All female workshop Ps made more personal disclosures, were more likely to view the conflict as a joint problem, and to view the workshop as a success because relationship had been established than mixed-gender workshop Ps
Dreher, Dougherty and Whiteley (1989)	Gender	Upward influence tactics; Salary	Survey	*N* = 294; Fs were less effective in using an exchange (quid pro quo) tactic than Ms
Gerhart (1990)	Gender	Starting salary; current salary	Archival analysis	*N* = 4,617; Ms current and starting salaries were higher than Fs; Current salary shortfall of Fs was largely a result of starting salary shortfall
Gerhart and Rynes (1991)	Gender	Bargaining propensity; bargaining payoff	Survey	*N* = 205; Fs negotiated lower payoffs than Ms; No difference in frequency of negotiating between Fs and Ms

Gneezy, Niederle and Rustichini (2003)	Group composition (same-sex, mixed-sex); Payment type (piece rate, competitive, random)	Number of mazes solved	Computerized maze	$N = 324$; Ms outperformed Fs in competitive tournament; Ms and Fs performed comparably when rewards paid according to piece rate; Fs perform worse in mixed-sex tournaments than same-sex ones
Hansen and O'Leary (1983)	Gender; Performer Gender; Gender-linked behavior (masculine, feminine); Behavior category (emotion, accomplishment)	Dispositional versus situational attributions	Scenario	$N = 267$; Ps more likely to attribute Fs behavior to personal factors than Ms, whose behavior was attributed to environmental factors
Instone, Major and Bunker (1983)	Gender; Group composition (all male, all female); Worker compliance (high, low)	Influence strategies; Pre- and post-task questionnaire	Organizational simulation (confederates)	$N = 48$; Ms made more influence attempts and use a wider range of influence strategies than did Fs; Ms used more reward strategies than Fs; Fs used more coercive strategies than Ms; Ms more self-confident than Fs; Self-confidence was correlated with prior experience for Fs but not Ms; Self-confidence predicted influence style and frequency

Table 5. (*Continued*)

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Kaman and Hartel (1994)	Gender; Job description (no salary specified, salary range, social comparison information)	Pay expectations; Anticipated negotiation strategies; Expectations for bargaining zone	Scenario	*N* = 238; Ms indicated higher pay expectations, higher likelihood of active negotiation, less likelihood of using traditional self-promotional strategies and more opportunities for negotiation than Fs; Fs set lower target and resistance points than Ms; Fs estimated more aggressive opponent resistance points than M
Kidder, Bellettirie and Cohn (1977)	Gender; Type of decision (public, private)	Equity versus equality reward allocations	Survey; Allocation decision	*N* = 135; Ms indicated they would share more points with a partner who had earned fewer than Fs; Fs allocate rewards more equally in public than in private; Ms allocate rewarded more points to themselves in public than private
Klein and Willerman (1979)	Dyad composition (same-sex, mixed-sex); PAQ score (feminine, masculine, undifferentiated, androgynous); Dominance instructions (typical, maximal)	Typical and maximal dominance expressions	Group problem solving (confederate)	*N* = 112; Fs in the undifferentiated and feminine conditions behaved less dominantly than Fs in the masculine and androgynous conditions; Fs were less dominant with M groups than F groups; Fs talked more with M groups than F groups

Kluwer (1998)	Gender; Discontent spouse (husband, wife); Conflict issue (housework, child care)	Description of conflict resolution; Likelihood of resolution	Scenario	$N = 151$;With Fs discontent, wife-demand/husband-withdraw pattern was more common than wife-withdraw/husband-demand; With Ms discontent, demand/withdraw patterns were equally likely
Lind, Huo and Tyler (1994)	Gender; Disputant race (same, different);Disputant relationship (friend, acquaintance); Dispute nature (insult, money); Other disputant race (same different)	Preference for dispute options and procedures; Disputing choices and reactions	Scenarios	$N = 309$; Fs gave lower importance for values of power over others and higher ratings for the values of maturity, benevolence, conformity, and tradition than Ms; Fs gave lower ratings than Ms for use of social influence, persuasion; Fs gave higher ratings than Ms for use of mediation; Fs gave marginally higher ratings for use of negotiation than Ms
Lewicki and Robinson (1998)	Gender; Nationality; Ethnic origin; Negotiating style	Appropriateness ratings	Survey	$N = 734$; Ms rated misrepresentation, bluffing, and inappropriate information collection as more acceptable tactics than Fs
Mainiero (1986)	Gender	Empowerment strategy; Job dependency	Interview	$N = 98$; Fs used an acquiescence strategy more than Ms did in coping with powerlessness

Table 5. (*Continued*)

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Major and Adams (1983)	Dyad composition (MM, FF); Interpersonal orientation (high, low); Type of decision (public, private); Future interaction (yes, no)	Performance expectations; Evaluations; Attributions; Allocation decisions	Allocation task	$N = 142$; Fs allocated resources more equally than Ms did
Major and Adams (1984)	Dyad composition (same-sex, mixed-sex); Reward type (money, course points); Expected future interaction (yes, no)	Joint allocation decision; Independent allocation decision; Post-task questionnaire	Allocation task	$N = 185$; When future interaction is expected, Ms and Fs were more equitable with a same-sex partner and more equal with an opposite sex partner; without expected future interaction, Fs were more equitable than Ms; With independent allocation, Fs more equitable than Ms; Fs willing to work longer for fixed pay than Ms
Major, Bylsma and Cozzarelli (1989)	Gender; Domain (work, non-work)	Allocation decisions	Survey	$N = 632$; Fs were more benevolent than Ms in work domain; No differences in preferences in relationship domain; Difference between domains was greater for Ms than Fs
Major and Konar (1984)	Gender	Expected job inputs; Importance of job outcomes; Supervisor performance evaluation; Pay expectations	Survey	$N = 50$; Fs pay expectations lower than Ms; Fs had lower comparison pay estimates, different career path estimates and job facet importance ratings than Ms; No difference in supervisor performance ratings across gender

Major, McFarlin and Gagnon (1984) [Expt. 1]	Gender; Social comparison information (yes, no)	Amount of pay; Pre- and post-task questionnaires	Prediction task	*N* =76; Fs paid self less money than Ms without social comparison information
Major, McFarlin and Gagnon (1984) [Expt. 2]	Gender; Monitor (yes, no)	Duration of work; Amount of work; Pre- and post-task questionnaires	Visual perception task	Fs worked longer, did more work, did more correct work than Ms; Tendency for Fs to work longer than Ms was greater under monitored conditions than unmonitored conditions; Amount of time worked by Ms did not vary by monitoring conditions
McFarlin, Frone, Major and Konar (1989)	Gender; Pay predictors (career path, perceived job inputs, reference group comparisons)	Pay expectations	Survey	*N* = 168; Ms had higher career-entry pay expectations than Fs; Same-sex comparison standards predicted pay expectations more than opposite-sex comparison standards
Martell, Lane and Emrich (1996)	Gender; Bias score (5% variance, 1% variance)	Performance evaluation score; Promotion rates	Computer simulation	*N* = 510; With 5% of the variance attributed to sex, Fs comprised 29% of the very top level of the organization; With 1% of the variance attributed to sex, Fs comprised 35% of the top level
Maxwell (1992)	Gender; Mediation style	Effectiveness in reaching initial and binding agreements	Mediation	*N* = 48; Fs and Ms were equally effective at mediating an initial settlement; Fs were more effective at mediating a binding settlement than Ms

Table 5. (*Continued*)

Authors and Date	Independent Variables	Behavioral and Outcome Measures	Task Characteristics	Major Gender Findings
Raghubir and Valenzuela (2004)	Gender; Contestant Gender; Attention (high, low); End-game (cooperation, competition)	Performance assessment;Finalist prediction;Winner prediction	Game show simulation	*N* = 90; Controlling for actual performance, F contestants were judged to be worse players than M contestants; Fs were more likely to be predicted to be finalists but not winners than Ms; F contestants more likely to be selected as finalist under competitive than cooperative end-game rule
Salacuse (1998)	Gender; Culture; Occupation	Negotiating style	Survey	*N* = 310; U.S. Ms indicated a greater preference for a one-leader negotiating team than U.S. Fs, who preferred a consensus-based negotiating team; Fs from the U.S., Spain, and Mexico reported higher levels of risk-taking than respective Ms
Small, Gelfand, Babcock and Gettman (2004) [Experiment 1 and 2]	Gender; Payment cue (flexible, negotiating, control)	Performance; Self-evaluation of performance; Request for compensation	Word puzzle	*N* = 175; Ms and Fs evaluated their performance comparably, yet Ms were more likely to ask for additional compensation than Fs; Gender difference was larger in negotiation cue condition
Small, Gelfand, Babcock and Gettman (2004) [Experiment 3]	Gender; Survey (negotiating, asking)	Aversiveness score	Survey	*N* = 108; "Negotiating for things" evaluated as more aversive than "asking for things"; This tendency was greater for Fs than Ms

Small, Gelfand, Babcock and Gettman (2004) [Experiment 4]	Gender; Cue (negotiating, asking, control)	Request for compensation	Word puzzle	$N = 153$; Ms requested additional compensation more than Fs in the control and negotiate cue groups; No gender difference in asking cue condition
Stuhlmacher and Walters (1999)	Gender	Negotiation outcomes	Meta-analysis	Ms negotiated better outcomes than Fs
Volkema (1999)	Gender, culture	Perceived ethicality of negotiating tactic; Likelihood of engaging in tactic	Survey	$N = 271$; Fs were stricter than Ms as to what constitutes ethical behavior
Walters, Stuhlmacher and Meyer (1998)	Gender	Competitive behavior	Meta-analysis	Ms behave more competitively than Fs; Fs behave more competitively than Ms when bargaining with an opponent employing a tit-for-tat strategy
Wood, Corcoran and Courant (1993)	Gender; Time after graduation (1 year, 15 years)	Salary	Archival analysis	$N = 884$; Ms earn more than Fs; Wage gap grew over time

Focal Negotiator-Based Gender Differences

According to this viewpoint, men and women innately differ in how they handle conflict and negotiations. Research in this tradition focuses on holding constant the situation faced by male and female "focal negotiators" and examining how the sexes differ. Broadly speaking, psychological and biological factors can affect performance between men and women. Much of the theoretical development in this vein has focused on developmental differences between men and women in terms of morality and values. Below we review the range of theoretical perspectives that address differences between men and women in general and then apply these perspectives to the topic of negotiations in particular. A closer inspection of the focal negotiator-based literature reveals three sources of gender differences: socialization, self-construal, and moral values.

Socialization

A focal negotiator-based account of wide-ranging sex differences first appeared in the literature with the publication of Maccoby and Jacklin's (1974) book, *The Psychology of Sex Differences*. These developmental psychologists centered their theoretical argument around four key differences between boys and girls, three of which are particularly relevant for negotiations: Men are more aggressive than women; women are more verbal than men; and men are more quantitative and visual-spatial than women. The developmental perspective identifies the importance of childhood events (such as experiences that occur in sex-segregated playgroups) as creating fundamental differences between males and females (Maccoby, 1988). Other root causes of core gender differences include the greater prenatal androgynization of males (Money & Ehrhardt, 1972) and the different adaptive challenges facing men and women (Buss, 1995).

Applying the socialization framework to negotiations suggests that men should be better at claiming value in negotiations due to their aggressive nature and their quantitative prowess. Because the negotiation process involves exchanging information to identify mutually beneficial trade-offs, the superior verbal skills of women may aid in the ability to understand the interests of one's negotiating partner and, ultimately, to create value in integrative negotiations.

Self-Construal

Another focal negotiator-based account of gender differences pertains to how men and women see themselves. Like the socialization perspective, this theoretical orientation emphasizes developmental differences between the sexes. However, this perspective fundamentally differs from socialization theory in its focus on self-concepts as opposed to abilities and behaviors. Gender schema theory

(Bem, 1981) suggests that people interpret the world through the lens of stable schemas developed at an early age that speak to what it means to be a man versus a woman. A basic assumption of this perspective is that self-construals dictate people's understandings of appropriate behavior, such that women see themselves in relation to others whereas men see themselves as independent from others (Cross & Madson, 1997; Markus & Kitayama, 1991; Rubin & Brown, 1975). Applying this perspective to negotiations suggests that women almost always view negotiations as including a relationship component (Gelfand, Smith-Major, Raver & Nishii, 2004; Kolb & Coolidge, 1991). Because negotiators who are concerned about the relationship adopt more flexible postures (Greenhalgh & Gilkey, 1993), differences in self-construal may impact how women and men bargain. Likewise, to the extent that women perceive negotiations as a masculine task, they are likely to have lower self-confidence in the domain than men (Beyer, 1990; Lenney, 1977).

Tannen's (1990) treatise on differences in conversational styles between women and men is quite relevant to the self-construal theoretical perspective. Consistent with the view that men and women have different self-construals, Tannen argues that men seek independence through their conversational interactions whereas women seek intimacy and consensus. To attain their conversational goals, men are likely to adopt an adversarial stance and engage in one-upsmanship. In contrast, women perceive a conversation as a negotiation for closeness and connection with their conversational partner. According to this perspective, men are expected to adopt more of a confrontational style during the negotiation process that reflects a commitment to maximizing their own outcomes. This difference in behavior leads to the prediction that men are more adept at claiming economic resources than are women. In contrast, female negotiators are expected to create a more positive impression than male negotiators.

Moral Values

Another facet of the focal negotiator-based theoretical perspective concerns gender differences in moral reasoning. This perspective suggests that men and women differ in their values. Specifically, Gilligan (1982) argues that women are distinct from men in their preferences for resolving moral conflicts. She distinguishes two moral orientations: justice-based and care-based. Whereas a justice-based perspective uses abstract principles and fundamental rights to manage conflict, a care-based perspective focuses on the maintenance of relationships and the preservation of personal integrity to resolve moral disputes. Her empirical research supports the view that women are more likely to express an ethic of care in understanding moral dilemmas than men are, whereas men exhibit a greater tendency to understand moral dilemmas from a justice perspective than do women

(Gilligan & Attanucci, 1988). Feather (1984) offers support for the differing values that men and women place on certain personal attributes: whereas men place a premium on logic and fostering a comfortable life, women more highly value honesty, being loving, and maintaining self-respect than do men.

One reason that moral values are relevant to negotiations is that they are likely to affect negotiators' preferences for equity. Equity theory (Adams, 1965; Walster, Berscheid & Walster, 1973) is concerned with the role of interpersonal comparisons of input-outcome ratios in forming fairness judgments. Implicit in the idea that female negotiators' relationships are of primary concern to them is that they also have an expectation of future interactions between the parties. The expectation of future interaction increases the use of an equality rule to divide resources compared to when no future interaction is expected, which promotes the division of resources according to an equity rule (Shapiro, 1975). If women are more likely to expect future interactions than are men, then women should also have a greater preference for an equal division of resources.

Applying the moral values perspective to negotiations suggests that men and women differ in how they resolve disputes. Gender might also influence what is considered a fair division of resources. If men place a higher premium on justice-based morality than do women, then it could lead men to prefer to resolve disputes through a discussion of right versus wrong, with a clear winner and a loser. In contrast, women's tendency to view morality through a care-based perspective might promote a desire to focus on higher order priorities (i.e. the preservation of the relationship) and attempts to address both parties' interests in resolving disputes. As interest-based approaches tend to be more integrative, more satisfying, and less costly than rights-based approaches (Ury, Brett & Goldberg, 1988), women may be more effective at resolving disputes than men.

Summary of Focal Negotiator-Based Gender Differences

This perspective addresses whether women and men differ in how competitive versus cooperative they are in bargaining and, ultimately, whether one gender fares better than the other at the bargaining table. Research under this rubric also addresses the question of whether men and women differ in their bargaining style (i.e. the degree of concern that focal negotiators show for themselves and their negotiating partner).This perspective also speaks to whether gender impacts the degree to which negotiators focus on interests, rights, and power in resolving disputes (Ury et al., 1988) and how gender affects fairness judgments. Finally, this perspective addresses how worthy men and women believe themselves to be to receive particular outcomes at the bargaining table. Below we address each question identified above by considering the main effects of gender on a range of dependent variables.

Does gender impact bargaining style? To address this question, we consider the degree to which negotiators are competitive versus cooperative at the bargaining table. We also explore research that focuses on the verbal dialogue that partly comprises the negotiation process.

The question of whether men and women differ in their degree of competitiveness was addressed in a meta-analysis of 62 experiments by Walters, Stuhlmacher and Meyer (1998). Consistent with what gender stereotypes suggest, men were more competitive than women were as measured by their offers and verbal exchanges. Our analysis concurs with this earlier assessment. Although the size of the effect was relatively small, the authors accurately pointed out that even small differences can have large effects over time. For example, Martell, Lane and Emrich (1996) demonstrated in a computer simulation that gender differences that explain only 1% of variance in performance evaluations led to significant differences in the rate of career advancement for men and women climbing a hypothetical corporate ladder. Comparable results were obtained in a longitudinal analysis of attorneys' salaries (Wood et al., 1993). Small differences in how competitively men and women negotiate for starting salaries can have compounding effects years later and can thereby substantially affect quality of life.

Although the overall pattern of results suggests men are more competitive than women are, we would be remiss if we failed to point out contradictory results in the literature. Several studies show that female-female dyads are more competitive in prisoner's dilemma tasks than male-male dyads or mixed-sex dyads (Bedell & Sistrunk, 1973; Hottes & Kahn, 1974; Rapoport & Chammah, 1965). Men are more trusting in investment games than women are (Buchan, Croson & Solnick, 2004), yet women are more trustworthy (Croson & Buchan, 1999; Tedeschi, Powell, Lindskold & Gahagan, 1969). Women who endorsed traditional gender roles and who were classified as defensive behaved competitively in a prisoner's dilemma context, whereas career-oriented women avoided competition regardless of their level of defensiveness (Ingram & Berger, 1977). Finally, men and women acted competitively in a PDG under different conditions: Men exploited an unconditionally cooperative opponent who was strong (due to a non-contingent payoff), yet women exploited an unconditionally cooperative opponent who was weak (due to a payoff that depended on their partner's behavior) (Black & Higbee, 1973). Perhaps women attributed the cooperative behavior as deriving from their partner's weakness rather than goodwill, thus inviting their own self-interested behavior.

We also sought support for the proposition that women are primarily concerned with the relationship with their negotiating partner. In one study, men acted in a manner that would suggest a concern with the relationship by asking more questions, engaging in more self-disclosures, and using the "we" pronoun

more frequently compared to women (Neu et al., 1988). Likewise, using a cooperative, mixed-sex "get acquainted" non-competitive paradigm, men selected more intimate questions to ask their partner and enjoyed the encounter more than women did (Davis, 1978). However, most findings suggest that women demonstrate a greater concern for the relationship than do men in competitive contexts. For example, men used more self-helpful and other-harmful information than women did under competitive motives (Deal, 2000). Likewise, men mentioned money earlier in a negotiation than women did (Halpern & McLean Parks, 1996), suggesting a lack of concern with the relationship. Whereas men centered their discussion around positions, women discussed more personal information than men did (Halpern & McLean Parks, 1996). Not only do women appear to act in a more relationship-friendly manner than men do, they also appear to believe this is the best approach from a self-interest perspective. In a prisoner's dilemma context, women reported a greater belief that the cooperative choice was a better one for maximizing their own score than men did (Caldwell, 1976).

Tentative speech is less adversarial and poses less threat to the other party than more forceful speech, suggesting a concern for the relationship. Consistent with the focal negotiator-based hypothesis, women issue more disclaimers and hedges in negotiation contexts than men do (Smeltzer & Watson, 1986), especially in mixed-gender contexts (Carli, 1990). A tentative approach to dialogue actually increases the persuasiveness of females as judged by their male counterparts (Carli, 1990). Female dyads tend to engage in longer mutual gazes in face-to-face negotiations than male dyads (Foddy, 1978), which can be interpreted as an indication of their level of connection and/or concern for the relationship. Perhaps due to men's directness, male-male dyads negotiated resolutions to a conflict more rapidly than female-female dyads (Griffith, 1991). Lastly, self-report evidence also supports the conclusion that women show a greater communal focus than do men (King & Hinson, 1994). Women appear to behave in a manner to promote the negotiators' relationship more so than men.

Does gender impact negotiation performance? To address this question, we consider the research that documents negotiated agreements. Perhaps the most conclusive answer to this question can be reached by considering the results of Stuhlmacher and Walters's (1999) meta-analysis. Their analysis of 21 negotiation studies clearly revealed a reliable effect in which men reaped better distributive outcomes than women. The wider sample of studies included in the current literature review provides results that are consistent with their conclusion and the focal negotiator-based predictions described above. As most of the research in this tradition has focused on economic outcomes in distributive bargaining tasks, our conclusions are largely drawn from this context. However, we also note that the tendency for men to outperform women has emerged from archival analyses

(Gerhart, 1990; Wood, Corcoran & Courant, 1993), a collective bargaining task (Smeltzer & Watson, 1986), a survey (Gerhart & Rynes, 1991), a coalition game (Kravitz & Iwaniszek, 1984), and in allocation tasks following an unrelated performance task (Major & Adams, 1983; Major, McFarlin & Gagnon, 1984; Small, Gelfand, Babcock & Gettman, 2004). Women's lower pay in allocation tasks appears not to be a reflection of their poorer performance. In the Wood et al. (1993) longitudinal analysis of lawyers' salaries 15 years after graduation, a wage gap emerged despite the fact that men and women graduated from the same law school with identical human capital profiles. In lab studies including an unrelated performance task, women either performed comparably to (Major & Konar, 1984; Small et al., 2004) or better than men (Major et al., 1984). This finding suggests a greater disconnect between performance and pay for women than men.

Another gauge of negotiation performance is joint gain, or the sum total of resources divided between negotiating parties. Because joint gain hinges on negotiators making optimal trade-offs, it is not a fixed value. As joint gain increases through the cooperative exchange of information and concession-making (Thompson, 1991), focal negotiator-based theoretical perspectives suggest that women may be more adept at increasing joint value than men are. However, to the extent that negotiations are inherently threatening to women, men might be expected to outperform women on any measure of performance. The few studies that speak to this question suggest that male-male dyads are in fact more integrative than are female-female dyads (Miles & LaSalle, 2004; Neu, Graham & Gilly, 1988). Women's use of a quid pro quo tactic, which is integral to increasing joint gain, was less effective in an employment negotiation than was men's use of the same tactic (Dreher, Dougherty & Whiteley, 1989). We uncovered limited evidence to suggest that female-female dyads are more integrative than male-male dyads (Wolfe, 2004). Thus, the bulk of the evidence suggests that men do better both in terms of individual and joint outcomes than do women.

Does gender impact negotiators' self-evaluations? To address this question, we consider how negotiators view themselves, the parameters that they set for the negotiation, and the negotiation-related values that they endorse.

It is clear that both women and men predominantly endorse gender stereotype-consistent views of themselves at the bargaining table. Before the negotiation, men set higher goals (Bowles et al., 2004; Kray, Thompson & Galinsky, 2001), report less apprehension about negotiating (Babcock, Gelfand, Small & Stayn, 2004), expect to be more highly compensated (Babcock et al., 2004; Major & Konar, 1984; McFarlin, Frone, Major & Konar, 1989), report being more certain of their worth (Barron, 2003), and report more comfort with being paid more than others (Barron, 2003) than women do. Men expect to perform better than women in general in the negotiation arena (Benton, 1973; Grant & Sermat, 1969;

Watson & Hoffman, 1996). Post-negotiation, men report more satisfaction with their performance (Watson & Hoffman, 1996) and report having felt more powerful at the bargaining table (Kray et al., 2001) than women.

We also compare what men and women report deserving to be paid in allocation games. Consistent with gender stereotypes, women expect to be paid less than men do (Major & Konar, 1984), women pay themselves less than males pay themselves (Callahan-Levy & Messe, 1979; Kaman & Hartel, 1994; Major & Adams, 1983), and women pay themselves even less than other people pay them (Callahan-Levy & Messe, 1979). Major et al. (1984) asked men and women to do as much work as they thought was fair for a fixed, prepaid amount of money. Regardless of whether their performance was in public versus private settings, women worked longer, completed more work, and had higher accuracy rates than men did. Callahan-Levy and Messe (1979) observed women paying themselves less for work that they expected to do a better job on than men. Likewise, Small et al. (2004) observed fewer women negotiating for additional compensation with an experimenter than men did, despite the fact that gender did not impact self-evaluations of performance. However, this gender difference was eliminated when a cue was provided to suggest it was normative to *ask* for more compensation (as opposed to *negotiating* for more). Taken together, these studies suggest performance is less tied to pay in the minds of women compared to men, and the negotiation arena might exacerbate this effect. Because pay is a key outcome measure in negotiations, this dissociation can create a disadvantage for women.

Does gender impact dispute resolution? To address this question, we consider both the issue of fairness and the dispute resolution process. With regard to fairness, Volkema (1999) observed that women reported stricter standards for what they regard to be ethical negotiation behavior than did men. For example, men reported a greater willingness to intentionally misrepresent facts to their bargaining opponent than women did. Likewise, men report a greater willingness to display a feigned negative emotion for tactical purposes than women do (Barry, 1999). Likewise, male MBA students rated various ethically questionable negotiation tactics as more appropriate than female MBA students did (Lewicki & Robinson, 1998). Each of these findings suggests a gender difference in what is regarded to be fair behavior for resolving conflict.

Not surprisingly given a gender difference in perceptions of fairness, the dispute resolution process varies on the basis of the disputants' gender composition. d'Estrèe and Babbitt (1998) observed differences in the discussion during a dispute resolution workshop between Palestinians and Israelis depending on whether it was comprised of all female participants or mixed-sex. By content coding the discussion, they observed that the quality of the conversations varied depending on whether males were present in the room. In the all-female workshops,

the conversation appeared more personal and more successful at establishing relationships between the disputants. Consistent with this observation, women also report valuing benevolence and maturity more than men and power over others less than men (Lind, Huo & Tyler, 1994). We uncovered only one study that examined the effect of gender on dispute resolution outcomes. Maxwell (1992) observed that women and men were equally effective at mediating an initial settlement, but that women were more successful than men were at mediating a binding settlement. Taken together, these studies provide support for the proposition that women are more relationship-focused and, thereby, adept at resolving disputes.

Negotiating Partner-Based Gender Differences

This theoretical orientation is based on nearly the opposite point of view as the focal negotiator-based perspective. Namely, this theoretical tradition posits that men and women do not differ fundamentally, but rather their negotiating partners hold different expectations about men and women that lead them to be treated differently which, in turn, affects negotiation processes and outcomes. In short, men and women perform differently at the bargaining table as a result of the behavior of their opponent. To examine focal negotiator-based differences, men and women are placed in identical situations and then their behavior (and resultant performance) is examined. Conversely, to detect negotiating partner-based differences, the focus of attention moves to how the focal negotiator is treated from across the bargaining table. Within this theoretical tradition, we identified three sources of potential gender differences, which we refer to as expectancies (derived largely from social cognitive research), discrimination (a distinct behavior with legal implications), and deconstructionism (derived from post-modernist sociological thinking).

Expectancies

Expectancies are defined as beliefs about a future state of affairs (Olson, Roese & Zanna, 1996). Because people want the world to be predictable and controllable, the confirmation of subjective expectancies generally produces positive affect, whereas the disconfirmation of subjective expectancies produces negative affect (Mandler, 1975). In addition, expectancy-consistent behavior is likely to result in heuristic processing of subsequent information and greater certainty regarding the expectancy in the future (Olson et al., 1996). Because of these affective and cognitive consequences of expectancies, to the extent different behaviors are expected from male and female negotiators, judgments of the identical behavior should be evaluated and responded to differently by their negotiating partners.

Because many of the normative behaviors characteristic of the competitive negotiation process are stereotypically masculine in nature, the negative ramifications of violating expectations might result in greater self-presentational concerns for women than men. In fact, Rudman (1998) showed that women who were self-promoting in a hiring context experienced a backlash in terms of the impression they created in others. The greater self-presentational concerns of women create a paradoxical situation in which they are "damned if they do" self-promote in terms of likeability judgments, and "damned if they don't" self-promote in terms of competence judgments. In a related study, women in a hypothetical organizational context were judged more positively for being highly modest in responding to a compliment for their work – effectively attributing it to luck – than being moderately modest; the exact opposite pattern was observed for men, who were judged more negatively for being highly modest than moderately modest (Wosinska, Dabul, Whetstone-Dion & Cialdini, 1996). More directly relevant to the negotiation arena are recent findings by Heilman, Wallen, Fuchs and Tamkins (2004) suggesting that women who were acknowledged to have been successful on a stereotypically masculine task were more personally derogated than similarly successful men, and these negative evaluations had direct effects on subsequent resource allocation decisions. These findings support the view that different normative expectations exist for men and women across organizational contexts.

Even if the expectation that women be nurturing derives from personal settings, gender role spillover, or the carryover into the workplace of gender-based expectations for behavior from other domains (Gutek & Morasch, 1982; Nieva & Gutek, 1981), may lead to different expectations of men and women in organizational settings. In sum, this perspective suggests expectations of focal negotiators' behaviors will have ramifications for the impressions that are formed of them and the standards applied to them at the bargaining table.

Discrimination

Research in this tradition is not based on a theory *per se*, but rather, a conceptual orientation or point of view that assumes people treat men and women differently because of their previously-formed expectations. The question of whether women are treated worse than men as a result of the negative stereotypes associated with them is the focus of this area of inquiry. To answer this question, researchers in this tradition examine whether men and women are treated differently despite acting in an identical fashion.

Another form of discrimination speaks to whether men are offered worse deals than women. A chivalrous tendency to offer women better deals than men might result because people are attempting to honor and/or protect the relatively weak

woman (Cantrell & Butler, 1997). In the context of negotiations, chivalry might promote the tendency of men to be more cooperative and accommodating when negotiating with or on behalf of a woman than they are when they are negotiating with or on behalf of another man. Research that examines how behavior varies on the basis of individuals' beliefs about their negotiating partners' gender speaks to this question.

Deconstructionism

The third negotiating partner-based gender difference perspective is perhaps the most removed from the internal processes of negotiators. This perspective suggests that the criteria selected to gauge negotiation performance, whether it be from negotiations researchers or negotiators' constituents, is biased against women and effectively perpetuates gender differences. For example, Kolb (2000) argues that gender is largely socially constructed, such that research studies themselves create a focus on gender. She argues that what all of the empirical studies on gender and negotiations lack is "a theory of gender and without such theory . . . we will miss opportunities to explore more deeply some of the complexities of gender issues in negotiation." On a general level, this point of view represents a criticism of the "masculine" hypothetical deductive method of science (McGrath, Kelly & Rhodes, 1993; Riger, 1992). This perspective suggests that, to the extent that women bring unique assets to the bargaining table, these assets are devalued by their constituents and other observers.

Summary of Empirical Investigations of Negotiating Partner-Based Gender Differences

Perhaps the most fundamental question that can be addressed from a negotiating partner-based perspective is whether partners adjust their own behavior on the basis of a focal negotiator's gender. A partner's goals, beliefs, and offers are central to this theoretical lens. Another question that can be answered by this perspective is whether expectancies and perceptions of focal negotiators differ on the basis of their gender. The inferences that individuals make about the gender of an unknown negotiator also reveal whether systematic biases exist at the bargaining table. Finally, although not a negotiating partner per se, the question of whether constituents treat and/or value male and female negotiators differently can be examined through this theoretical lens. Below we review the literature that speaks to these questions.

Does gender affect the way negotiators are expected to behave? The relatively few studies that have addressed this question provide results that are consistent with the negotiating partner-based hypotheses described above. In accord with the stereotype that women are more cooperative than men, negotiating partners who

believe their opponent is a female expect this opponent to be more cooperative and less exploitative than a male opponent is expected to be (Matheson, 1991; Orbell, Dawes & Schwartz-Shea, 1994). Recently Raghubir and Valenzuela (2004) showed that female contestants in a trivia game were expected to be weaker competitors than their male counterparts. Likewise, King, Miles and Kniska (1991) observed that perceivers were more likely to make the inference that a competitive opponent was male than female. A computerized opponent was ascribed masculine traits in another experiment, suggesting negotiators in general are presumed to be male (Mack, Williams & Kremer, 1979). These findings clearly support the view that expectancies pertaining to negotiator behavior are stereotypically masculine.

Negotiating partners' expectancies affect how persuasive focal negotiators are. In a communication study, men were expected to use more verbally aggressive message strategies than women, whereas women were expected to use more pro-social message strategies than men. Individuals of both genders who failed to meet these expectations were judged to be less persuasive by perceivers (Burgoon, Dillard & Doran, 1983). A negotiating partner's gender is also likely to impact their evaluations: Buss (1981) found that women evaluated dominant behaviors more negatively than did men, whereas men evaluated communal acts as less desirable than did women.

Does gender affect the way focal negotiators are treated? To address this question, we consider whether negotiators' bargaining strategies and styles differ on the basis of their negotiating partners' gender. The answer to this question is not a simple one. The majority of studies that touch on this question suggest men are treated more favorably than women are, although contradictory findings exist.

In studies involving distributive negotiations, PDGs, and ultimatum tasks, male negotiators appear to receive more favorable offers than female negotiators (Ayres & Siegelman, 1995; Nadler & Nadler, 1985; Smith, Vernon & Tarte, 1975; Solnick, 2001; Solnick & Schweitzer, 1999). In perhaps the most striking of these studies, using tightly controlled procedures so that male and female research confederates would behave in an identical fashion, Ayres and Siegelman (1995) observed car dealers quoting men lower sale prices than they did women. Converging evidence can also be gleaned from the marital context. In an examination of husband-wife interaction patterns, the likelihood of a wife's demand being met with husband withdrawal from the conversation was greater than the likelihood of a husband's demand being met with wife withdrawal (Kluwer, 1998). If obtaining favorable outcomes is more difficult when one's negotiating partner refuses to negotiate, this pattern suggests less favorable treatment for women relative to men.

A tendency for women to be treated more favorably than men also emerged from our review. In particular, the evidence derived from repeated-trial prisoner's dilemma games suggests that on average women receive more favorable treatment

than men do (Ferguson & Schmitt, 1988; Grant & Sermat, 1969; Orbell et al., 1994). However, after an initial cooperative choice, men receive more cooperative treatment from their negotiating partner than their female counterparts (Smith, Vernon & Tarte, 1975). In an allocation task, Callahan-Levy and Messe (1979) observed that individuals paid women more than they paid men. Finally, when negotiators were not being observed, negotiators of female constituents behaved more contentiously than did negotiators of male constituents (Pruitt, Carnevale, Forcey & Van Slyck, 1986), suggesting better representation for female constituents than male constituents.

Finally, Raghubir and Valenzuela (2004) show that which gender is given preferential treatment depends on the stage in a multi-round competition. In a mixed-motive team context, team members were tasked with voting off the "weakest link" in each round of competition. Fewer women were ousted from the competition by their opponents than would be warranted if performance were the only consideration. They argued that this preferential treatment was motivated by a strategic attempt to retain a weak, beatable competitor for the final round of the game in which team members competed for a "winner-take-all" monetary prize. They showed support for this interpretation by modifying the rules of the game so that the final round was cooperative, with finalists sharing prize money. Women were more likely to be voted off by their opponents when the end-game was cooperative than when it was competitive.

Does gender impact how negotiators respond to constituents? Although constituents are not typically present at the bargaining table and, as such, they are not actually negotiating partners, the fact that they often control the rewards negotiators receive makes it likely that they influence negotiators' behaviors. We now address the question of whether male and female negotiators are expected to behave differently by outsiders, as evidenced by how negotiators' behaviors and outcomes are affected by the presumed interests and expectations of constituents. Two distinct effects emerge from our scanning of the literature. First, both genders appear to behave in more of a gender stereotype-consistent fashion in the presence of constituents than outside the presence of constituents (Benton, 1975; Cantrell & Butler, 1997; Kidder, Bellettirie & Cohn, 1977). The second effect suggests the gender of constituents matters. Consistent with focal negotiator-based hypotheses, female constituents issue more cooperative directives than male constituents do (Wall, 1976).

Some evidence suggests negotiators adjust their behavior to act in a manner consistent with what a gender stereotypical constituent might want (Wall, 1976). Skotko, Langmeyer and Lundgren (1974) observed women behaving more competitively for a male constituent than a female constituent, although men were less sensitive to the gender of their constituent. In another study, the level

of constituent surveillance impacted negotiators' competitiveness (Pruitt et al., 1986). Without surveillance, negotiators behaved more competitively with a male constituent than a female constituent; with surveillance, negotiators were more competitive with a female constituent than a male constituent. Consistent with this finding, Cantrell and Butler (1997) observed male-male dyad members behaving in a more domineering fashion when observed by a female than when observed by a male, which they argued was a result of male "machismo" in the presence of women. Clearly, the gender of constituents changes the bargaining dynamic.

Negotiating Dyad Interaction-Based Gender Differences

Consistent with the negotiating partner-based perspective detailed above, this theoretical orientation argues that people hold different expectations of men and women that are subtly or blatantly communicated to a focal negotiator. In so doing, behaviors consistent with these expectancies are elicited, thereby perpetuating the differing expectations. Whereas focal negotiator-based orientations focus on gender differences internal to focal negotiators and negotiating partner-based orientations focus on gender differences external to focal negotiators but internal to their partners, this orientation explores the symbiotic relationship between two negotiators in creating gender differences. The leading social psychological theory within this orientation is behavioral confirmation theory.

Behavioral Confirmation

This orientation focuses on the power of expectancies in shaping subsequent behaviors of both the expectancy holder and the individual for whom an expectancy exists (Snyder & Swann, 1978). The original demonstration of what is also called a self-fulfilling prophecy occurred in a classroom setting (Rosenthal & Jacobson, 1968). The random assignment of students as purported high or low achievers in the minds of their teachers led students to subsequently perform on objective measures in a manner consistent with the bogus categorization, in part due to the subtle changes in behavior of the teachers that elicited behaviors by the students consistent with their teacher's expectations. In one of the most striking demonstrations of a self-fulfilling prophecy, Word, Zanna and Cooper (1974) demonstrated that the non-verbal behavior of an interviewer changed on the basis of a (confederate) applicant's race. More specifically, white applicants were treated with more verbal immediacy, longer interview times, and fewer errors in speech than black applicants. In a follow-up study, trained interviewers acted in a manner consistent with how the real interviewers from the prior study acted to either white

or black applicants. The applicants from this second study were all white, yet those who were treated like black applicants from the prior study were judged to perform less adequately and to be more nervous in the interview context than those who were treated like white applicants from the previous study.

Because women are thought to be less effective negotiators than men are, vulnerability to a behavioral confirmation effect at the bargaining table would suggest weaker performance and more discomfort for women when this negative stereotype is salient to their negotiating partner than when it is not salient.

Summary of Empirical Investigations of Negotiating Dyad Interaction-Based Gender Differences

Below we consider evidence that speaks to whether the negotiation processes and outcomes of focal negotiators are affected by their negotiating partners' expectations.

Do negotiating partners' gender-stereotypic expectations affect the performance of focal negotiators? Our analysis of the literature revealed only two investigations that specifically addressed self-fulfilling prophecies in negotiations. In one study, Skrypnek and Snyder (1982) manipulated male negotiators' beliefs about the gender of their negotiating partner, who in actuality was always female. The negotiation involved divvying up a set of tasks that varied in the degree to which they were stereotypically masculine versus feminine in nature. When the male negotiator believed his partner was male, his female partner selected more stereotypically masculine tasks for herself than when the male negotiator believed his partner was female. This adjustment of behavior on the part of the female negotiator occurred despite her lack of awareness that her male partner's beliefs were being manipulated. This study clearly demonstrates that negotiating partners' gender expectations matter for how resources are divided.

Wyer and Malinowski (1972) examined the impact of individuals' expectancies on competitive behavior. In their study, male and female participants first completed an achievement task, which allowed the experimenter to randomly assign them to a high or low achievement category, and then engaged in several rounds of a PDG with a same-sex or an opposite sex other. Females who had been assigned to the high achievement group were subsequently less competitive against males than females who had been assigned to the low achievement group. The authors argued that, for dyads whose members' past achievements violated sex role expectancies (a woman outperforming a man), subsequent actions were aimed at restoring traditional sex roles. Furthermore, they argued that both men and women expected the other party to act in a manner to promote the restoration of traditional sex roles.

Situation-Based Gender Differences

According to this perspective, the situation is a primary determinant of behavior. In the language of Cook and Campbell (1979), this theoretical tradition argues a "third variable" exists that can largely explain all gender differences. Whereas the focal negotiator-based, negotiating partner-based, and focal negotiator × negotiating partner-based accounts identify the internal psychological processes of negotiators as the locus of gender differences, this perspective identifies structural and contextual variables external to negotiators as the causal forces behind gender differences. Implicit in this approach is the assumption that men and women are inherently alike, but that factors in the world around them sometimes create the *appearance* of differences. According to this logic, when holding constant the situation, gender differences should largely disappear. However, the effort to clarify and distill theory within this tradition is particularly challenging because there are several different models and hypotheses that could arguably be attributable to the situation. We identify three contextual factors that are the most understood: power and status, structural position, and experience.

Power and Status

Researchers in this vein argue that status and power largely drive behavior in organizations. Status refers to the legitimate authority vested in certain organizational or societal roles and power is the ability to control resources. According to this perspective, holding status and power constant should elicit similar behaviors for both genders. Consistent with this viewpoint, Moskowitz, Suh and Desaulniers (1994) observed individuals in organizations adjusting their display of agentic behaviors on the basis of their interaction partner's status. This pattern occurred for both men and women alike.

Status impacts what behavior is expected from a given individual (Berger, Rosenholtz & Zelditch, 1980), and men enjoy more status than women (Eagly & Johnson, 1990). In a laboratory setting, Wood and Karten (1986) provided only the name and gender of a set of group members and showed that more status was conferred on male group members than on female group members. Perhaps because status is a source of influence (Deutsch & Gerard, 1955), men are more successful in seeking compliance from women than women have been in influencing men (Eagly & Wood, 1982). Like status, men have greater access to and utility for power compared to women in organizational settings (Ragins & Sundstrom, 1989). If men are automatically accorded relatively high status and power, then it might grant them more influence at the bargaining table than their female counterparts, thereby producing gender differences in performance.

The importance of power on an individual's psychological state cannot be understated. Cognitive, motivational, and behavioral differences have been tied to

power. Fiske (1993) argues that low power individuals behave in a more cooperative and dependent fashion than do high power individuals. Kramer (1994) argues that high power persons are more likely to be distrusting and overly pessimistic regarding the actions and intentions of others than are low power persons. Keltner, Gruenfeld and Anderson (2003) argue that when individuals are in positions of power, they are more likely to actively seek the attainment of goals, whereas individuals in positions lacking in power tend to focus their attention and actions in a manner that seeks to avoid punishment. How power is utilized is moderated by power holders' self-construals. When individuals have an independent self-construal, they use power to promote their own goals; when individuals have an interdependent self-construal, they use power to promote others' goals (Chen & Welland, 2002). Finally, the ability to elicit behavioral confirmation from another person appears to be stronger when the sequence is initiated by a high power party than a low power party (Copeland, 1994). Copeland bestowed power on one individual in a dyadic interaction by granting them the ability to choose a partner for a reward-laden game. Low power parties were more concerned about facilitating favorable interactions, leading them to act in a manner they expected to be pleasing to the high power party. Consistent with this finding, Keltner et al. (1998) videotaped high and low power persons as they "teased" others and found that low power persons teased in more pro-social ways than high power persons. In particular, low power persons were more likely to tease in such a manner that reduced face threat to the teased individual relative to high power persons.

Each of the findings detailed above supports the view that power and status are variables with substantial explanatory power in social contexts. This perspective suggests that, holding constant power, men and women should behave comparably. However, because power and status are typically tipped in men's favor in negotiation settings, men should be afforded more leeway in making demands at the bargaining table. It might also lead men to have a less accurate perception of their female counterpart's interests than a female negotiator would have with respect to her male counterpart, leading men to be less effective at identifying trade-off opportunities. Whereas most of this work suggests a direct linkage between power and performance, the motivation-power link suggests a power × gender interaction. That is, because women are presumed to place more weight on the maintenance of relationships, high power women might be expected to use their power to promote joint outcomes to a greater extent than men would, whose focus would be on maximizing individual outcomes.

Structural Position

According to Kanter (1977), gender differences in the behavior of managers are a product of differing structural positions of the sexes within organizations. Because fewer women are in positions of power than men, women who are in positions

of power are perceived to be "tokens." The chronic accessibility of gender may increase in situations in which it is particularly salient (Higgins, King & Mavin, 1982), such as when a woman is a numerical minority. Consistent with this interpretation, distinctiveness theory postulates that a minority status can increase the extent to which membership in the minority group is central to one's self-concept (Cota & Dion, 1986; McGuire, McGuire & Winton, 1979). Thus, the expectations of both focal negotiators and their partners can be affected by the numerical prevalence of women at the bargaining table.

The consequences of having a token status are generally negative. In a field study examining the sociological processes of women in a large industrial corporation (Kanter, 1977), women's token status affected the level of attention bestowed on them and how they were perceived by non-tokens: (1) the numerical minority of women rendered them disproportionately visible compared to non-tokens; (2) perceptions of differences between women and men were polarized and exaggerated; and (3) perceptions of women were distorted to fit the stereotype about their social group. Likewise, Inzlicht and Ben-Zeev (2000) showed that women's vulnerability to negative stereotypes about their gender on a quantitative math test was greatest when their fellow test-takers were all male, thereby rendering them "token" females.

According to this perspective, it is the fact that women are less present at the bargaining table that places them at a disadvantage, rather than any inherent ability differences. By this reasoning, holding constant the numerical prevalence of women and men in negotiations should eliminate gender differences. Differences between women and men should be most pronounced in mixed-gender contexts. If most negotiators are men, then the presence of a woman at the bargaining table might lead them to be more highly scrutinized, creating an additional impression management hurdle for them to overcome. The tendency to see tokens in stereotypical terms might lead women to be more misunderstood than their male counterparts. Finally, the exaggeration of differences between tokens and non-tokens might needlessly increase the contentiousness of negotiations and lead to more impasses.

Experience

According to this situation-based account of gender differences, the amount of experience that men and women have in the negotiation domain may differ, thereby creating a performance gap. If an "old boys network" exists that bestows on men negotiation mentors who share vital information about when it is appropriate to negotiate and how to do so effectively, then men may accumulate more knowledge about the negotiation process than women, resulting in gender differences in performance. In organizational settings, women have

fewer mentorship opportunities (Noe, 1988) and less interaction with high status individuals due to sex-segregated networks (Ibarra, 1992) than do men . Aside from quantitative differences, the type of mentors women have access to may be less valuable than those available to men: Dreher and Cox (1996) observed that MBA graduates who reported having a White male mentor relationship in particular enjoyed a dramatic salary advantage over their peers without such a relationship. It follows from this observation that women might initiate negotiations less frequently than do men and, when they do negotiate, be disadvantaged because of their relative lack of experience and knowledge about the implicit rules of the bargaining process.

Summary of Empirical Investigations of Situation-Based Gender Differences

The key assumption of this perspective is that, placing women in a position of power, status, and visibility that is comparable to what men typically occupy or granting men and women equal access to negotiation skill development should eliminate gender differences. As such, the research questions that can be addressed by this perspective ask whether situational factors contribute to gender differences. Although addressing this perspective would ideally entail holding constant situational factors to determine whether gender differences remain, we note that eliminating some situational differences such as experience and status is difficult to do experimentally because they presumably accrue over time and negotiators bring their prior experiences with them to the bargaining table (Kray, Paddock & Galinsky, 2004).

However, researchers can examine whether men and women report different levels of negotiation experience and perceptions of power. Another way to determine the impact of the situational context in negotiations is to systematically vary whether presumed situational asymmetries across negotiators are present or absent. To do so, researchers can examine whether women and men respond differently in single-sex versus mixed-sex contexts. Presumably, any ingrained differences in status and experience between men and women are held constant in a single-sex context, thus providing a baseline condition in which no systematic differences in experience are expected.

Does gender affect negotiation experience? To address this question, we consider whether men and women differ in their reported negotiating frequency. Recent work by Babcock et al. (2004) provides survey data in which women report a longer period of time since their last negotiation and anticipated next negotiation than men. In an experimental context, Small et al. (2004) observed that men were more likely to negotiate for additional compensation upon completion of a task than women were, although men and women evaluated their performance on the task comparably. The fact that male job candidates perceived a wider range between a

job recruiters' target points (their most preferred outcomes) and resistance points (their least preferred outcomes) than female candidates did (Kaman & Hartel, 1994) also suggests men may perceive more opportunities for negotiation than women do. Women also reported less interest in the negotiation arena, which was associated with weaker involvement with the negotiation process, compared to their male counterparts (Kimmel, Pruitt, Magenau, Konar-Goldbland & Carnevale, 1980). Each of these findings supports the hypothesis that women have less negotiating experience than men do.

However, we also uncovered two studies that provided contradictory evidence. Gerhart and Rynes (1991) presented survey results suggesting women and men negotiated salary for their first post-MBA job with equal frequency. Burford, Foley, Rollins and Rosario (1996) observed a greater tendency for female children to negotiate to resolve a dispute compared to male children, who opted to resolve the dispute through coercion. Perhaps one reason for this pattern is that, in the context of a dispute, negotiating is a relatively cooperative option, rendering it more attractive to women than men. Taken together, these findings suggest that when norms are in place to encourage negotiations, women claim to do so at a rate comparable to or greater than men.

Does gender composition affect negotiations? If situational differences exist between men and women, then these differences are presumably held constant across the bargaining table in single-sex environments. Gender is presumably more salient in mixed-sex dyads than same-sex dyads. If negotiators adjust their behavior on the basis of their partner's gender, then it suggests gender salience impacts bargaining outcomes and that the token status hypothesis applies to negotiations.

Both men and women adjust their behavior on the basis of their negotiating partner's gender. Klein and Willerman (1979) examined women's behavior in situations in which they were or were not encouraged to behave dominantly in a group problem solving task. When no dominant instructions were issued, women behaved less dominantly when interacting with a male confederate than a female confederate. However, when the normative expectations for the task were such that assertive behavior was encouraged, women were equally dominant with male and female confederates. This finding suggests that, unless explicit norms have been set that override gender stereotype consistent behaviors, women tend to behave more submissively to men than other women. Perhaps due to a chivalry norm, Burford et al. (1996) observed that boys were more coercive in resolving conflict when paired with other boys than they were when paired with girls.

We also consider whether the enhanced salience of gender in mixed-gender dyads exacerbates gender differences. Kray et al. (2001) conducted two relevant experiments demonstrating that, although the activation of gender stereotypes had significant effects on outcomes in mixed-gender dyads, negotiation performance

within same-sex dyads (both male-male and female-female) was unaffected by the activation of gender stereotypes. Perhaps due to the greater activation of gender stereotypes in mixed-sex contexts, Gneezy, Niederly and Rustichini (2003) also observed that women performed worse in mixed-sex tournaments than they did in same-sex tournaments, despite the fact that task performance was determined solely by their individual output. Lastly, the communication medium, which impacts the salience of gender, was shown to impact the rate at which agreements were reached in mixed-sex dyads but not same-sex dyads (Vallacher, Callahan-Levy & Messe, 1979). These findings converge to suggest that gender stereotypes play a larger role in negotiations involving both women and men, as opposed to two negotiators of the same sex.

Can power and status asymmetries explain gender differences at the bargaining table? To address this question, we consider whether men's behavior mirrors that of high power individuals and women's behavior mirrors that of low power individuals. Consistent with the idea that power hierarchies are more attractive to men than women, Salacuse (1998) observed men reporting a greater preference for a one-leader negotiating team structure than did women, who instead preferred a consensus-based negotiating team structure. Men might possibly prefer a hierarchical structure because they presume to be in a position of power, whereas women assume they will not have power in this type of structure, thereby rendering it less attractive.

If men are more accustomed to acting on the basis of power, then we might expect to see greater usage of power among male negotiating dyads than female negotiating dyads. Wolfe (2004) manipulated whether a power differential existed between parties in same-sex dyads and showed that power asymmetries were exploited more in male dyads than female dyads, as evidenced by the former dyad's lower joint gain (which depend on collaborative trade-offs rather than the exercise of power). These findings support the view that men are more attuned to power asymmetries at the bargaining table than women are.

If power and status have explanatory power in mixed-gender negotiations, then placing men and women in identical power roles should yield comparable behavior. Consistent with this idea, we uncovered several studies suggesting men and women respond comparably to power at the bargaining table. Watson's (1994) review of eight studies from both traditional and non-traditional negotiation contexts suggests power is a better predictor of negotiator behavior and outcomes than gender. In an empirical extension of this review, Watson and Hoffman (1996) manipulated the gender composition of dyads and the power between the two roles in a mixed-motive negotiation simulation. The results failed to support the proposition that gender and power would accumulate to the advantage of men relative to women, instead both genders responded comparably to power. A more

recent investigation of the relationship between gender stereotypes and power by Kray, Reb, Galinsky and Thompson (2004) also observed men and women exploiting a power asymmetry in a similar fashion. When women had more power in the negotiation, they outperformed men; when men had more power than women, they outperformed women.

We also compare how men and women respond to being in low versus high power positions. In Mainiero's (1986) field investigation exploring how men and women respond to powerlessness at work, women reported accepting the power imbalance and acting in a helpless, dependent fashion more so than men did. In contrast, men reported modifying their conflict management style on the basis of their status than women did (Chusmir & Mills, 1989). That is, the tendency of low power individuals to use an accommodating style and high power individuals to use a competing style was more pronounced for men than it was for women. Taken together, these findings suggest that women are more acquiescent in how they respond to power within a work context, but men are more flexible in how they utilize power across work and non-work contexts.

In an abstract PDG context, women in high power roles appear to be more exploitative of weak opponents than men in high power are (Black & Higbee, 1973; Pruitt & Syna, 1985). In Black and Higbee's research, when a same-sex opponent in a bargaining game lacked the ability to retaliate, powerful women more often chose defection with a weak opponent than weak women chose defection with a powerful opponent. In contrast, weak men chose defection with a powerful opponent more often than powerful men chose defection with a weak opponent. Whereas women used power offensively, men used power to defend themselves. Within a face-to-face organizational simulation, women utilized coercive influence strategies that inflicted punishment on others more frequently than men did (Instone, Major & Bunker, 1983). These findings suggest that women are more exploitative with power than men are in both abstract and simulated contexts.

Another aspect of the relationship between power and gender concerns whether the possession of power translates into a bargaining advantage. In this regard, one study suggests that men are more effective at harnessing power than women are (Nadler & Nadler, 1985). In a distributive negotiation, negotiators paired with a high power male performed worse than did negotiators who were paired with a high power female. It is also interesting to note that, with high power males partners, low power males obtained more favorable terms than low power females. This pattern is corroborated by Dalton, Todor and Owen (1987) in their field observation that grievances were most likely to be resolved in favor of the low power disputant when the supervisor-employee dyad was comprised of two males. Both studies suggest high power males treat their low power counterparts more favorably when they are men rather than women.

These findings suggest that power is an explanatory variable for understanding gender and negotiations, although it is unclear whether it exerts a systematic impact on bargaining behavior across contexts for men and women. Some evidence suggests that men and women respond comparably to power. When placed in identical power situations, differences between how men and women respond are often not detected, which is consistent with the situation-based argument. However, male-male dyads appear to be more sensitive to power differentials than female-female dyads. On the other hand, women appear to be more sensitive to their relative power than men are. That is, they adjust their behavior – becoming more acquiescing when lacking power and more exploitative when possessing power – to a greater extent than men do. Our review suggests more research is needed to fully understand the relationship between gender and power in negotiations.

Focal Negotiator × Situation Interaction-Based Gender Differences

Research originating from this perspective integrates the previously described focal negotiator-based account with the situation-based account. Whereas the focal negotiator-based account grants a great deal of explanatory power to gender as an individual difference variable, the situation-based account grants very little explanatory power to gender and instead places it squarely in the hands of the negotiation context. The focal negotiator × situation-based account provides perhaps a more complex and nuanced view of gender differences by acknowledging that men and women face different phenomenological experiences at the bargaining table, which might lead them to respond differently at times to the identical situation. Within the domain of focal-negotiator-situation interaction effects, we identified two distinct approaches, stereotype threat and contextual cues.

Stereotype Threat

Steele's (1997) influential theory argues that the situational context can lead to the activation of stereotypes, which ultimately impair performance. According to this perspective, reminding members of a negatively stereotyped group that the stereotype might be applicable to a particular performance context creates a concern that their behavior and performance will confirm the negative stereotype, regardless of whether they actually believe the stereotype to be true. Just knowing that a cultural stereotype exists and that other people may believe the stereotype to be true can create a psychological burden that does not concern individuals who are not members of the stereotyped group and thereby reduce performance. Importantly for understanding this phenomenon from a focal negotiator × situation-based perspective is the idea that, without the activation of the stereotype,

members of a negatively stereotyped group are expected to perform on par with individuals who are not negatively stereotyped.

This research suggests that outcomes in mixed-gender dyads are highly influenced by the connection that negotiators make between effective negotiator behavior and gender stereotypes. This research supports the view that the context in which stereotypes are activated, rather than any innate differences between the sexes, predicts negotiator performance. To the extent that a negative stereotype exists suggesting women are ineffective negotiators, then situations that promote the salience of this stereotype are expected to be ones in which gender differences emerge. Without the activation of this salient stereotype, men and women would be expected to perform comparably at the bargaining table.

Contextual Cues

According to this perspective, normative cues in the environment determine whether individual difference variables like gender emerge to account for variation in behavior. This perspective distinguishes between strong situations, characterized by clearly defined behavioral cues, and weak situations, defined by a lack of clear behavioral cues (Mischel, 1977). A key tenet of this perspective is that individual difference variables are expected to be more pronounced in weak situations, which allow for more idiosyncratic interpretations, than strong situations, which have clear guidelines for appropriate behaviors. Behavior can best be understood by taking into account both the person and the strength of the situation they face. Deaux and Major (1987) provide a prominent model of gender and behavior that is consistent with this framework. In it, they argue that gender-related behavior is context dependent. It is also worth pointing out that this perspective is contrary to the stereotype threat point of view in that gender differences are not expected to result from women's deterioration of ability due to a threat in the environment, but rather through the use of environmental cues that differ from those used by men.

According to this viewpoint, gender differences at the bargaining table will emerge when the contextual cues surrounding the negotiation are relatively weak. When the parameters of the negotiation are unclear or ambiguous, then behavior is most likely to be influenced by the host of focal negotiator-based differences identified earlier. When the situation is strong, such as when clear guidelines exist to dictate the parameters of the negotiation, then men and women are expected to perform comparably.

Summary of Empirical Investigations of Focal Negotiator × Situation-Based Gender Differences

This perspective explores the question of whether the impact of gender on negotiation processes and outcomes is moderated by the situation. The previously

described focal negotiator-based, negotiating partner-based, and situation-based theoretical perspectives predict main-effects for performance at the bargaining table. They speak to whether men and women differ, are treated differently, or face different situations. Arguably, the negotiating dyad-based account also predicts a main effect for gender, although the explanation resides at the dyadic level with both negotiators implicated in the process. The focal negotiator × situation-based theoretical perspective instead argues for and focuses on interactions between the person and the situation in explaining the relationship between gender and negotiations. Research in this tradition explores whether certain situational moderators affect the manner in which men and women negotiate. Below we consider several specific questions addressable by this perspective.

Does the activation of gender stereotypes affect negotiation performance? In the most direct test of stereotype threat theory, Kray et al. (2001) showed that men and women perform comparably in a baseline negotiation, but that men outperform their female counterpart in a "diagnostic" negotiation that was purportedly capable of detecting their genuine negotiating ability. Presumably, because masculine traits are linked with effective negotiators, women in the diagnostic condition questioned whether they possessed the necessary skills to succeed at the bargaining table. It was the burden created by this self-doubt and anxiety that led them to confirm the negative stereotype suggesting women are ineffective negotiators.

Kray et al. (2001) also determined that the manner in which stereotypes are activated impacts how men and women respond to stereotype activation: when the link between stereotypically masculine traits and negotiation effectiveness was activated implicitly, women fell prey to stereotype threat by underperforming relative to their male counterparts. However, when the stereotype was activated explicitly by specifically telling negotiators that gender is a predictor of performance, women disidentified with the limiting stereotype and exhibited *stereotype reactance*. In so doing, women outperformed their male counterpart in a distributive negotiation task. A follow-up investigation revealed that the ability of women to react against a negative stereotype appears to be limited to the case in which they are not disabled by a salient power disadvantage in the negotiation (Kray et al., 2004). Likewise, only women who believed that negotiating ability was improved by practice and persistence reacted against a negative gender stereotype; women who believed that negotiating ability was a fixed, innate trait succumbed to the negative stereotype (Kray & Haselhuhn, 2004).

Kray, Galinsky and Thompson (2002) further demonstrated that performance in mixed-gender negotiations is determined by the content of the activated stereotype. Although the dominant cultural stereotype of the effective negotiator includes many stereotypically masculine traits, this research suggests this linkage is malleable. *Stereotype regeneration* is the process whereby the

link between stereotypically feminine traits (empathy, listening skills, verbal communicativeness) and negotiation effectiveness is strengthened. This research shows that a female advantage at the bargaining table emerges when the stereotype of an effective negotiator has been regenerated to include feminine traits. The stereotype regeneration process was mediated by negotiators performance expectations and goals. Generally, this research suggests that advantages at the bargaining table in mixed gender dyads are determined by which traits – stereotypically masculine versus feminine traits – are implicitly linked to negotiation effectiveness.

Two studies in this line of research have also documented a relationship between gender stereotypes and integrative outcomes. Kray et al. (2001) showed that, by linking a superordinate identity that transcends gender to negotiation performance, mixed-gender dyads become more integrative in their agreements. After stereotype regeneration has occurred, the explicit linkage of stereotypically feminine traits to performance increases joint gain (Kray et al., 2004), suggesting the explicit mention of gender serves as a trigger to act in a manner consistent with the activated stereotype. Because stereotypically feminine traits suggest cooperation, acting in a manner consistent with the stereotype increases joint gain.

This line of research provides strong support for the proposition that how negotiators respond to gender stereotypes very much depends on the situational context. More specifically, how the stereotype is activated and which component of the stereotype is activated are significant predictors of how much value is created and whether men versus women reap the lion's share of resources at the bargaining table. Finally, it is worth noting that the mediation evidence provided by Kray et al. (2002) was among the only empirical data we uncovered in this literature that showed statistical evidence of the process by which gender impacts negotiation outcomes.

Do contextual factors moderate the relationship between gender and performance? To address this question, we review the literature that has identified interactions between situational variables and gender in negotiation contexts.

Bowles et al. (2004) argue that gender differences in negotiation depend in part on the clarity of the bargaining parameters. When the zone of possible agreements was ambiguous, bargaining aspirations, intended first offers, and agreements favored male negotiators over their female counterparts. However, when the zone of possible agreements was unambiguous, gender did not affect these performance measures. Another recent investigation by Small et al. (2004) suggests this relationship might not be so simple. In contrast to their hypothesis, providing cues that payment was negotiable did not diminish gender differences in negotiating propensity. In two follow-up investigations, the authors revealed that the term "negotiation" carries with it particularly aversive connotations for

women, which is what creates gender differences rather than ambiguity about whether negotiating is appropriate.

Another factor that may determine whether gender differences emerge is the representation role of women at the bargaining table. Because advocating for others is consistent with the expectation that women be nurturing, women may be more assertive in this role than when they are negotiating on their own behalf and have to contend with the negative impression that they are greedy. Bowles et al. (2004) assessed the interplay between gender and representation role and found that women acting as an agent for someone else intended to be more assertive in their requests than women acting on their own behalf. Likewise, Wade (2001) persuasively argued that women make more assertive requests when advocating for someone else than when making a request for themselves, although no empirical data was provided to back up her claims.

The degree of competition required in a particular context might also determine whether gender differences emerge. Deal (2000) observed males using information more intentionally than females in a competitive context, but equal amounts of intentional information use across gender in a collaborative context. Likewise, Gneezy et al. (2003) observed comparable performance between men and women when they were being paid piece rate, but men outperforming women in a competitive tournament. Walters et al.'s (1998) meta-analysis examined behavior when competing against a simulated strategy. When a simulated opponent's behavior was non-contingent (standardized across subjects), men were more competitive than women; however, when a simulated opponent's behavior was contingent (responsive to subjects' behavior), women were more competitive than men. Lastly, Stevens, Bavetta and Gist (1993) observed that gender differences in performance were present following training sessions that focused on tactics and goal-setting, but eliminated following self-management training that led to higher perceived control for women. Certain contexts promote gender differences more so than others.

Another contextual variable that appears to impact the emergence of gender differences is whether the negotiation is in a work versus non-work domain. Babcock et al. (2004) determined that women reported initiating negotiations less frequently at work than men did, yet gender did not impact the frequency of initiating negotiations outside of work. This finding is consistent with earlier work by Major, Bylsma and Cozzarrelli (1989) demonstrating that women reported being more benevolent in their allocation decisions than men were in work settings, but no differences emerged in allocation preferences in non-work settings. In a related vein, women's performance appears to be more influenced by whether they are being monitored, as is likely in a work setting, than does men's performance (Major et al., 1984). These findings suggest that women are more sensitive to

the distinction between professional and personal negotiations than men. More generally, these findings support the view that performance in negotiations is a function of the person and the situation. As such, a host of situational moderators have been identified in the literature that determine when gender is an issue at the bargaining table.

A COMPARISON OF FIVE THEORETICAL PERSPECTIVES

The question of how gender affects negotiation processes and outcomes has been approached from many different vantage points. One obvious implication is that gender effects that support (or contradict) one theoretical tradition may also support (or contradict) another theoretical tradition. Another thorny implication is that the specific questions and methodological approaches favored by each theoretical orientation often differ, rendering comparisons across perspectives difficult. We argue that, because they largely address different questions, the theoretical perspectives presented in this review complement one another. A summary of these different perspectives and the corresponding process and outcome measures uncovered in the literature is represented in Table 2.

Understanding the similarities and differences between the theoretical perspectives can best be achieved by considering the questions that each perspective addresses. The most fundamental question of whether men and women differ in how they approach the negotiation process and the outcomes that they achieve derives from the focal negotiator-based perspective. Building on this approach, the focal negotiator × negotiating partner-based and focal negotiator × situation-based approaches examine whether gender differences in the behaviors of focal negotiators emerge in response to features of their negotiating partner or the situational context, respectively. Apart from the focal negotiator altogether, the negotiating partner-based and situation-based approaches explore whether properties of the negotiating context cause gender differences. As suggested by the vast empirical findings that speak to the role of gender in negotiation, each of these perspectives has received some support.

Probably the most robust finding to emerge is the observation that, under baseline conditions, men outperform women in terms of economic measures of success. This basic finding is consistent with the core of the gender stereotype as it relates to negotiations. As we mentioned at the outset of this review, the linchpin that connects each perspective is the gender stereotype. At a basic level, gender stereotypes play a role in how focal negotiators behave, how their partners expect them to behave, and how focal negotiators interact with the environment.

As such, appreciating the impact and power of stereotypes goes a long way toward capturing the essence of the relationship between gender and negotiations from these different theoretical perspectives.

One somewhat disturbing realization to emerge from recent social psychological research is that negative stereotypes can impact performance among focal individuals who profess not to believe the stereotype to be true (Steele, 1997). With this in mind, negotiation researchers can appreciate the insidiousness of the gender stereotype. However, recent research by Kray and colleagues clearly shows that women are not doomed to confirm the unflattering gender stereotype. How the stereotype is activated and which aspects of the stereotype are activated are the primary drivers of how men and women negotiate together. This observation is consistent with the focal negotiator × situation-based theoretical perspective.

Also in support of the focal negotiator × situation-based perspective, a myriad of moderating variables that dictate whether gender is a determining factor at the bargaining table have been identified. Conceptually, these moderators can be grouped according to whether they are located within the mind of the negotiator versus properties of the negotiation context. The magnitude of gender differences varies on the basis of whether the focal negotiator expects to have future interactions with their partner. Whether gender differences emerge at the bargaining table appear to be determined in part by negotiators' implicit theories about what determines negotiation success, negotiators' beliefs regarding the diagnostic value of the negotiation for revealing their inherent abilities, and the salience of gender as a factor at the bargaining table. In terms of the negotiation context, the magnitude of gender differences appears to vary depending on whether the negotiation occurs in private versus public, whether competition is normatively sanctioned, whether its domain is over personal versus professional issues, whether the focal negotiator is acting as an advocate or on behalf of herself, whether the negotiation is a one-shot interaction versus occurs over time, and whether the negotiators are of the same sex versus different sexes.

The range of outcome variables present in the literature is captured in Table 2. Whereas most people think of negotiation as producing a single outcome, such as the amount of a raise obtained in a salary negotiation, our review suggests the measures utilized to gauge performance are more complex. Although individual profit was clearly the most often utilized gauge of negotiators' effectiveness at claiming value, our understanding of the relationship between gender and negotiations was aided by a consideration of joint gain, allocation decisions and performance on tasks unrelated to the division of resources. Relatively few studies examined behavior in disputes, which typically occur after an agreement has been reached and difficulties occur in its execution. Another more qualitative gauge of negotiation performance that was virtually absent from the literature is the impact

that the negotiation has on negotiator relationships. This omission is somewhat disturbing given that women are hypothesized to excel at this component of the negotiation process.

Table 2 also documents the range of process variables and subjective assessments present in the literature. Perhaps the most common process variable included in the literature is the extent to which negotiators cooperate versus compete. Yet this variable appears to be the least reliable in producing consistent gender effects. In fact, many of the findings that were inconsistent with theoretical predictions involved this variable. Perhaps this observation reflects the host of situational factors impacting this basic decision, thereby elucidating the complexity of the gender and negotiations relationship. Although few studies directly linked process variables and subjective assessments to outcomes, these measures nonetheless complement our understanding of the link between gender and bottom line performance.

THE FUTURE OF GENDER AND NEGOTIATIONS RESEARCH

Interest in the relationship between gender and negotiation has waxed and waned over time, presumably in part due to shifts in the socio-political climate. As evidenced by the large number of quite recently published (or working) papers reported in this review, we argue that this research topic is in the midst of a renaissance. In this section we identify a set of provocative questions that might profitably be explored through future research. By elaborating on the key theoretical, methodological, and applied issues that need addressing, we hope that research on this topic might flourish both in breadth and depth.

Theoretical Issues

Our review of the literature concerning the relationship between gender, negotiation processes, and negotiation outcomes reflects the current theoretical perspectives on this topic. It is clear from this review that the majority of empirical studies have approached the topic from a focal negotiator-based perspective. Whereas social psychology has devoted considerable attention to issues of prejudice and discrimination, understanding how these negotiating partner-based effects occur within negotiations is somewhat limited. Likewise, we uncovered few empirical studies that examined the contribution of a focal negotiator × negotiating partner interactive process in a gender effect at the bargaining table.

As such, we believe that a greater appreciation of gender differences from a partner-based perspective is in order. Building on this point, noticeably absent from our integrated model was a perspective that explores the interactive relationship between a negotiating partner and the situation. It may be the case that certain situational variables affect whether perceivers treat men and women differently. For example, social identity theorists have long argued that the self-concept is influenced by the status of the social groups to which one belongs, motivating individuals to protect that status (Tajfel & Turner, 1986). When a male partner's social identity is threatened, he may be more likely to pay attention to categorical distinctions and behave in a discriminatory fashion toward a female counterpart (cf. Maass, Cadinu, Guarnieri & Grasselli, 2003). Exploring the way in which situational variables might affect a negotiating partner is certainly a worthwhile endeavor.

The focal negotiator × situation-based perspective has proven fruitful in terms of identifying a host of moderating variables that impact whether gender differences emerge at the bargaining table, yet more work is needed. Virtually all of the behavioral negotiation research to date has examined one-shot negotiations. Because the relationship is likely to be more salient for both negotiators in an ongoing negotiation, the hypothesized tendency for men to place less value on the relationship with their negotiating counterpart is likely to be diminished under this context. Another situational variable that bears closer examination is whether the negotiation is personal versus professional. If status differences are diminished or irrelevant in a personal context, then gender difference might also disappear. Yet we uncovered very few negotiations that occurred in personal contexts. With regard to moderators situated within the mind of the negotiator, researchers might consider the role of locus of control, self-esteem, and cultural values in dictating whether gender differences emerge. It may be the case that the largest gender differences emerge among negotiators who have an external locus of control because they feel particularly vulnerable to situational forces. Likewise, women with low self-esteem might be expected to be particularly threatened by a diagnostic negotiation. Finally, a hesitance to exercise power may be more pronounced among women who are from collectivistic cultures because it signals a concern for one's own outcomes over one's negotiating partner's outcomes.

More research is also needed in identifying the host of mediating variables that causally link gender to negotiation performance. A review of the literature revealed little empirical attention to the process variables that account for gender differences and, when measures of process were included in an empirical study, they were typically self-report measures, and they were not empirically linked to outcomes. Because self-report measures rely on focal negotiators' conscious awareness of their internal processes, these measures are of limited usefulness. In the last decade,

it has become increasingly clear that implicit processes have substantial power to explain cognition, motivation, and behavior across gender (Greenwald & Banaji, 1995; Haines & Kray, 2004). By tapping into processes that lie beneath the surface of a negotiators' conscious awareness, a more complete understanding of how situational cues that activate gender stereotypes impact bargaining outcomes will be obtained.

Most empirical negotiations research on gender approaches it from a social-cognitive perspective (cf. Kray & Babcock, 2004). A call is made to increase the attention paid to whether the role of emotion at the bargaining table varies for women and men. Our review of the literature revealed only one study that examined emotion and gender in negotiations, and it focused on the strategic use of feigned emotion rather than emotion as a potential mediating variable. If an aggressive opening offer by one's negotiating counterpart evokes a stronger negative emotional reaction in males than in females, then this might account for a difference in the aggressiveness of a counteroffer. Likewise, if women feel worse by the possibility of obtaining a larger slice of the pie than their counterpart, then this might temper the aggressiveness of their offers. Finally, Tiedens's (2001) recent research on the relationship between emotion and status suggests that observers confer more status on a focal individual who expresses anger than sadness. If women and men differ in their propensity to display anger, then it might create differences in how much status they enjoy at the bargaining table. Clearly, greater attention to the relationship between emotion, gender, and bargaining outcomes is in order.

Methodological Issues

Most people don't immediately think of design issues when analyzing gender differences in negotiation. However, we believe they are critical for understanding what question is actually being addressed in a given study. Table 1 illustrates that a wide range of gender compositions are possible for exploring the relationship between gender and negotiations. We identified at least 6 different dyad composition designs employed by researchers interested in this topic (same-sex versus mixed-sex, same-sex versus same-sex, mixed-sex only, same-sex only, confederate, partner gender unknown). However, very few studies explicitly mentioned how their choice of dyad composition design was derived, and none of the studies included all six variations. This observation leads us to conclude that the gender composition variable is underappreciated at present. Utilizing more complex experimental designs that include multiple gender compositions within one study, though labor-intensive, will go a long way toward better understanding this contextual variable.

Though the amount of empirical attention devoted to each perspective varies, research on this topic has overwhelmingly occurred within the context of laboratory experiments. Arguably, this critique holds true for the entire negotiations literature. Whereas the ability of controlled experiments to establish causality is a tremendous benefit, exclusive reliance on this type of research is unnecessarily limiting to negotiations researchers. Recent survey research on the internet that explores individuals' prior negotiation experiences (Babcock et al., 2004) is an example of research that begins to fill this methodological void. Likewise, increasing the use of male and female research confederates who present a tightly controlled script to a research participant (cf. Ayres & Siegelman, 1995) in a field context will enable researchers to explore how the negotiation process unfolds in naturalistic settings. For example, a greater exploration of how gender impacts actual salary negotiations is needed. A triangulation of data collection in human resource settings with controlled laboratory studies involving mock interviews and job negotiations would shed light on this important domain.

Given the powerful impact of gender stereotypes on mixed-gender negotiations, it seems important to broaden the scope of how the activation of stereotypes is operationalized. In Kray and colleagues' research, gender stereotypes were activated through a set of general instructions given to negotiators prior to negotiating. Outside of the laboratory, stereotypes may be activated through the presence of salient role models, casual comments by one's negotiating partner or observers, or the behaviors of a negotiator. Understanding whether these modes of stereotype activation operate in an analogous fashion to the laboratory manipulations is also an important step to take.

We encourage researchers interested in exploring the relationship between gender and negotiations to dig deeper below the surface of negotiated outcomes to gain a clearer picture of how negotiating styles and processes might vary across and within gender. Recent methodological developments in content analyses that enable researchers to systematically explore the interactive communication process of negotiating dyads (cf. Weingart & Olekalns, 2004) have contributed greatly to this area of research. By introducing gender into the content analysis equation, subtle yet significant differences between women and men will likely emerge to shed light on when and why gender matters at the bargaining table.

We also invite negotiation researchers to broaden the performance criteria used to examine the gender-negotiation outcome link. We mention this consideration in part because it reflects a potential bias against women in the context of most negotiations research (cf. Riger, 1992). By focusing exclusively on quantitative, economic outcomes in negotiations, researchers perpetuate the devaluing of stereotypically feminine attributes. Yet female researchers and research participants themselves might not recognize the unfairness of this

application of male criteria to the negotiation arena because of the tendency to deny personal discrimination (Crosby, 1984). According to Crosby, it is often difficult to discern discrimination in an individual case, causing victims of discrimination to fail to recognize its detrimental effect on them. Any individual female negotiator may believe that it is totally appropriate to be evaluated along stereotypically masculine criteria, although they might be able to recognize the unfairness of the situation in the aggregate. As such, it is incumbent on negotiation researchers themselves to broaden the criteria used to measure performance beyond simple economic outcomes.

Because one of the most widely-identified theoretical differences between men and women is the degree to which they are concerned about the relationship with their negotiating partner, tapping into this performance criterion necessitates an expansion beyond the one-shot negotiation context. The literature's virtual exclusive focus on transactional negotiations occurring at one point in time mutes the potential impact of this relationship variable in determining how resources are divided. When research participants know that they will not likely interact with their negotiating partner again, the concern for the relationship itself is most likely diminished. To this end, we invite researchers to expand their investigations to include repeated-play behavioral negotiation tasks that at least allow for the realistic possibility of capturing differences in negotiators' concern for the relationship.

Applied Issues

Gender in the context of negotiation is not simply a matter of style – it represents cold, hard, class-defining economics. A $1,000 difference in starting salary negotiated at the tender age of 28, can lead to dramatic differences in total wealth at the time of retirement (cf. Babcock & Laschever, 2003). Most laypersons naively presume that focal negotiator-based theories are the most valid explanation of why women might underperform at the negotiation table. Like so many folk theories of psychology, the belief that men fundamentally differ from women due to genetic disposition stems in part from the fundamental attribution error (Ross, 1977), which involves the heightened tendency to make dispositional attributions for the behaviors of actors relative to situational attributions made for one's own behaviors. It requires relatively sophisticated thinking or an activist mentality to consider the possibility that observed differences in outcomes or pay among men and women might just as well be due to discrimination or a self-fulfilling prophecy. Even more sophisticated thinking is required to entertain the possibility that gender is really not at the root of differences at all, but rather, the elusive social structure that

drives outcomes in negotiations. Perhaps the most sophisticated thinking of all is that both the individual and the situation are capable of producing a gender gap. Training individuals to think in these terms will go a long way toward leveling the playing field.

One of the most counterintuitive findings in this body of literature is the observation that explicitly linking gender to bargaining performance can provoke stereotype reactance in women, and hence superior performance (Kray & Haselhuhn, 2004; Kray et al., 2001, 2004). The practical implication of this finding is that women are better off to the extent that they are aware that a negative stereotype exists about their ability to perform at the bargaining table. In the laboratory experiments demonstrating this effect, women were given this message once, followed by an immediate opportunity to prove themselves (and disprove the stereotype) in a mixed-gender negotiation. The unmet challenge outside of the laboratory is to deliver this message in such a way that women gather the wherewithal to react instead of lowering their morale and engagement in the negotiation arena. Learned helplessness is the resignation that results from the perception that the individual is a victim to external forces beyond his or her control (Seligman, 1991). One determining factor that results in learned helplessness rather than reactance is the belief among women that negotiating ability is fixed (Kray & Haselhuhn, 2004). To minimize this negative belief in female negotiators, we suspect that a delicate balance will have to be struck between emphasizing the stereotypic message and providing opportunities to respond to it in a timely and gratifying fashion. The precise policy implications of this research remain unclear.

CONCLUSION

Probably no other area in management science has such a consensus of opinion when it comes to the question of whether gender differences exist at the negotiation table. Our review has surfaced support for some of the most pervasive beliefs (e.g, men outperform women in mixed-gender negotiations). But there are other findings in this review that would seem contradictory to naïve intuition, such as the fact that women are more competitive in prisoner's dilemma games when negotiating with other women. Perhaps the least intuitive conclusion to emerge from this review is the understanding that men and women *experience* the bargaining table differently, which can sometimes lead to gender differences in counter-stereotypical directions.

Our purpose for undertaking this chapter was to make sense of the vast literature addressing the relationship between gender and negotiations. Our first step in accomplishing this task was to synthesize the distinct theoretical orientations that speak to the fundamental question of whether gender matters at the bargaining

table. We first identified five distinct approaches that vary on the basis of where gender differences are presumed to originate – within the mind of a focal negotiator; within the mind of a negotiating opponent or constituents; as a product of the interactive exchange within a negotiating dyad; as a by-product of situational factors; or as an interactive combination of a focal negotiator and the distinct situation that he or she faces. Along with this theoretical task, we quickly realized "negotiation performance" is somewhat of a moving target within the literature, in that not only does the task change across empirical investigations, but also the critical dependent variables change. With this issue in mind, we attempted to sort out economic and psychological measures.

We also organized the empirical literature to determine the answer to numerous critical questions relevant to each theoretical perspective. Although the amount of empirical support for each perspective varies, our review has led us to conclude that each negotiating party (focal negotiator and negotiating partner) and the contextual factors surrounding the negotiation play a unique role and, at times, have an interactive effect with each other in determining when and if gender differences emerge. Simply put, gender effects are multi-determined. Along these lines, our sorting of the literature has made apparent the need for negotiations scholars to look at the bigger picture, through the development of meta-analyses and comprehensive reviews, rather than falling back on any one research finding to explain the surprisingly complex relationship between gender and negotiations. By paying greater attention to the link between a given theoretical perspective and the research questions it can or cannot address, apparent contradictions in the literature will likely be resolved.

We opened this chapter with a quote by Marilyn Monroe indicating her willingness to live in a man's world as long as she could maintain her feminine disposition in it. We return to this quote now to consider whether the bargaining table is in fact a man's world. On one hand, the dominant stereotype of a successful negotiator is comprised of mostly masculine traits (Kray et al., 2001). This overlap in our conceptions of masculinity and negotiation success appears to be mostly consistent with how focal negotiators behave and what their counterparts expect from them. Perhaps due to a self-fulfilling prophecy, these stereotypes also appear to alter the manner in which negotiators perform. Lastly, the tendency of women to succumb to stereotype threat when the negative stereotype about their ability is activated subtly is the strongest evidence to suggest that the bargaining table is, at least stereotypically, a male domain. On the other hand, the activation of this negative stereotype about women does not appear to doom them to confirm it. By blatantly endorsing the stereotype to provoke reactance, strengthening the perceived value of stereotypically feminine traits, or instilling a belief that negotiating ability is highly malleable, female negotiators are able to overcome

the hurdle imposed by the suggestion that the bargaining table is no place for ladies. The manner and content of activated stereotypes are the primary predictors of whether and how gender factors into the bargaining equation. In a broad sense, women's economic performance in negotiations hinges on their ability to harness gender stereotypes in a self-serving direction. Thus we conclude that women and men are equally capable, though typically different, in how they create and claim value. Armed with this understanding, Marilyn Monroe would have felt right at home at the bargaining table.

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THIRD-PARTY REACTIONS TO EMPLOYEE (MIS)TREATMENT: A JUSTICE PERSPECTIVE

Daniel P. Skarlicki and Carol T. Kulik

ABSTRACT

To date, theory and research on organizational justice has tended to focus on the victim's (i.e. the employee's) perspective; the third party's perspective has received relatively little systematic attention. In this chapter we develop a model describing how third parties make fairness judgments about an employee's (mis)treatment by an organization or its agents (including supervisors and peers). Our model also identifies factors that can predict whether third parties will act on their unfairness perceptions. We identify several distinctions between the victim's and third party's perspectives. We conclude by explaining how the third party's perspective offers numerous opportunities and challenges for research.

> Bryan Drapp was at the grill wrapping burgers when the whole thing started. As he tells it, Jerry Guffey, his boss at a Macedonia, Ohio, McDonalds, reprimanded a coworker, 66 year-old Margarethe Delollis, so harshly for leaving a supply of clean garbage bags next to the trash cans that she burst into tears and fled. When Guffey asked Drapp to take over the trash duty, he refused and walked out. As easy as you can say "Mac Attack" that simple act of defiance spurred what may be the first successful strike ever against a U.S. McDonalds franchise, making Drapp, 19, a hero to fast-food workers everywhere . . . Drapp felt like he had no choice. He said "[This kind of treatment] just sickens me." Drapp never considered quitting. "Why should I?"

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he asks. "They have to learn their lesson" (Fields-Meyer & Sweeney, 1998). Five days later a Teamster-driven truck carrying hamburger buns refused to cross the picket line (Bernstein, 1989).

Theoretical and empirical research in organizational justice has tended to focus on the employer-employee dyad – in particular how the employee (the "victim") reacts to mistreatment by his or her employer (the "organization" or its agents). Employee mistreatment, however, can evoke reactions from people outside of this immediate dyad, including coworkers, customers, investors, judges, and members of the general public. In this chapter, we use the umbrella term "third party" to describe individuals who form impressions of organizational justice often based upon an indirect and vicarious experience of an organizational event.

The relatively little research that exists shows that third parties can indeed make fairness judgments and react to the way that employees are treated. For example, Brockner and colleagues (Brockner, 1990; Brockner, DeWitt, Grover & Reed, 1990; Brockner, Greenberg, Brockner, Bortz, Davy & Carter, 1986; Brockner, Grover, Reed, DeWitt & O'Malley, 1987; Brockner, Tyler & Cooper-Schneider, 1992) provide extensive evidence that third parties' (i.e. layoff survivors') fairness perceptions, organizational commitment, and intent to leave are impacted by the way in which a company manages its layoffs. Skarlicki, Ellard and Kelln (1998) found that employee treatment in a layoff predicted third parties' intentions to buy the company's products and to apply for jobs at the company in which the layoff occurred. Leung, Chiu and Au (1993) showed that third parties' fairness concerns about how workers were treated were related to their sympathy and support for industrial actions. Collective actions such as boycotting also illustrate how third parties can react to employee mistreatment. In the late 1960s, for instance, a consumer boycott was credited with helping the United Farm Workers win bargaining rights for thousands of farm workers, mainly Mexican-American immigrants, who up to that point had been working under wretched conditions for extremely low wages (Peirce, 2000). Much of this evidence, however, is accumulating in a piecemeal fashion, and our understanding of the third party's perspective of fairness would benefit from an organizing framework.

The primary objective of this paper is to develop a model that explains how third parties form impressions of organizational justice and choose to act on those impressions. A major contribution of this analysis is to integrate theories and insights from multiple literatures, many of which have not been previously applied to understanding either organizational justice issues or employee (mis)treatment. For instance, we draw upon research on whistleblowing, sexual assault, and personality theory. We review research on layoff survivors and third parties associated with a wide range of "victims" (including rape victims, cancer patients,

and persons suffering bereavement). Our goal is to provide a model for studying the third party's perspective that can guide future research.

WHO ARE THIRD PARTIES AND WHY ARE THEY IMPORTANT?

In this chapter, we focus on third parties as individuals who gain information about an employee'(s) mistreatment by an organization or its agent(s). In some cases, third parties have firsthand information, such as in the opening story when a coworker observes a supervisor verbally abusing an employee. More often, however, third parties are likely to gain their information through less direct means – such as from a story told by a friend or from news media. The common factor linking these diverse individuals is that they are aware of employee (mis)treatment by a manager, an organization, or other workers, and this knowledge triggers a cognitive or emotional appraisal. Whereas some third parties (e.g. coworkers, friends) might informally or spontaneously engage in this appraisal, others (e.g. judges, labor arbitrators) might provide a formal and purposeful assessment as part of their role such as when ruling on a dispute between an employee and his or her organization.

The third party's perspective is important for several reasons. First, for every victim, there are a large number of possible third parties. For instance, every member of a victim's social network is a potential third party. If the victim's experience is communicated to the organizational grapevine or the external media, the number of third parties forming organizational justice impressions can expand exponentially. Second, third parties can influence the victim's reaction to mistreatment. Barley (1991) found that third parties such as friends can sometimes convince a victim that what at first appeared to be bad luck was instead a human rights violation. Goldman (1999) similarly showed that friends, family members, and coworkers had a significant influence on layoff victims' decisions to proceed with filing legal claims. Third, those third parties who are organizational members learn vicariously about the treatment they might expect, which can affect their job attitudes and their tendency to punish an organization for perceived wrongdoing. In a layoff situation, for example, a survivor's reaction can be more critical to the organization than the victim's response because the latter is no longer an organizational member and must take his or her grievance outside the organizational context (Brockner & Greenberg, 1990). The survivor, however, remains inside the organization and can withhold productivity, damage morale, or engage in sabotage.

Third parties who are not organizational members can also have a sizable impact on organizations. As potential employees, consumers, and investors, third parties allocate resources across organizations based on economic concerns. Research shows, however, that third parties also base decisions on certain fairness rules (Skarlicki et al., 1998), and that they will enforce those fairness rules even at a cost to themselves (Kahneman, Knetsch & Thaler, 1986; Turillo, Folger, Lavelle, Umphress & Gee, 2002).

In the current economic environment, the competition for staff, customers, and investment capital is increasing. Corporate social performance (i.e. corporate policies based on justice principles) has been shown to correlate positively with financial performance (Ruf, Muralidhar, Brown, Janney & Paul, 2001). Although these findings might suggest that financially successful companies might have more resources to support corporate social policies, there is evidence that the causal flow operates in the opposite direction: acts of unfairness can negatively impact corporate performance. For instance, a report by Ernst and Young on the sporting goods giant Nike's employment practices in third world countries found numerous occasions of employee physical and sexual abuse. In one incident, a manager taped a woman's mouth shut for talking during working hours. On another occasion, a supervisor hit a worker on the back of the head with a Nike shoe. Subsequent to the report's release, Nike's sales decreased and its stock experienced a significant drop in price (Saporito, 1998). As the Nike story illustrates, third parties' reactions to employee mistreatment, in this case the reaction of investors and customers, can have a significant impact on a company's success, and can erode its goodwill and competitive advantage (Bies & Greenberg, 2002).

Last, it is important to consider that third parties are often instrumental in rectifying employee mistreatment. Individuals such as judges, arbitrators, and legislators make decisions that can have considerable organizational and societal impact on organizations and their employees. Moreover, organizations themselves can serve as third parties to remedy employee violations through their corporate social policies. For instance, the retailing giant Gap, Inc., whose outlets include the Gap, Old Navy and Banana Republic chains, recently acknowledged some of the worst employee abuse cases from among the 3,000 factories around the world that make its products. The worst and most persistent of the violations led Gap, Inc. to terminate business with 136 factories in 2003 (Scheidnes, 2004). From an anthropological and sociological perspective, third party sanctions define the scope of norms that regulate human behavior (Bendor & Swistak, 2001; Fehr & Fischbacher, 2004).

From a theoretical perspective, understanding the third party's viewpoint is important because it can inform current justice theory. The way that one individual reacts to another person's negative experience often involves the third party's

perceptions of (in)justice. Numerous writers (e.g. Lind, Kray & Thompson, 1998; Sheppard, Lewicki & Minton, 1992; Tyler & Smith, 1998; Walster, Walster & Berscheid, 1978) have concluded that a third party's response to mistreatment is similar to the victim's own reaction, only less intense. Research, however, is accumulating exceptions to this general rule: we now know that third parties and victims can respond in significantly different ways. For example, although a layoff victim might feel mistreated, third parties can view the layoff as fair, even to the point of derogating the victim (Skarlicki et al., 1998). Some third parties are more upset by sex discrimination in organizational wages than the working women who directly suffer its consequences (Crosby, 1984). In some cases, the third party's responses to mistreatment will parallel those of the victim, and in other cases, their responses will diverge. In order to more clearly understand third parties' fairness perceptions and reactions, there is a need to consider the mediators and moderators that determine them.

In this paper we emphasize that the third party's perspective can diverge from victim's perspective in at least three ways. First, the justice motives underlying the two perspectives can differ. To date, theory and research have explained the victim's motives for justice using self-interest or identity explanations. Although third parties can care about others' mistreatment because of self-identity or self-interest concerns, they can also be motivated by moral outrage in which self-interest concerns are secondary (e.g. deonance model of fairness; Folger, 2001). Second, as we explain in our model, attributions of blame are an important aspect of fairness perceptions. Due to processes such as actor-observer differences (e.g. the fundamental attribution error; Jones & Nisbett, 1971; Ross, 1977), the third party is more willing to blame the victim for the mistreatment than the victim will be to blame him or herself. Third, although fairness from both victim and third party perspectives is perceptually derived, the third party's information concerning a wrongdoing is often obtained second hand. A third party's fairness perceptions can be influenced by, for example, the victim's account, the organizational agent's explanation, and the interpretations of other third parties (e.g. witnesses in civil proceedings). Because third parties' fairness judgments involve "perceptions of perceptions," they can be more susceptible than victims' assessments to others' interpretations (DeGoey, 2000).

We also consider that understanding the distinctions between the third party's and the victim's perspectives can have important research implications. For instance, as we explain in this chapter, understanding third-party reactions to organizational misdeeds could help inform the study of how unethical behavior can evolve and spread in organizations; third-party perceptions can influence reactions to similar misdeeds in the future, as well as the third party's tendency to engage in similar misdeeds. Understanding the third party's perspective is important for

methodological reasons as well. For example, researchers need to specify whether they want the participant to "imagine how another person feels" vs. "imagine how you would feel" (Kulik, Perry & Schmidtke, 1997). Batson, Early and Salvarani (1997) found that the subtle differences in these two "imagine" perspectives produced distinct patterns of emotions and different motivational consequences. Thus, to the degree that the third party and victim perspectives differ, it becomes critical for justice researchers to specify in their hypotheses and methodologies *which* perspective is of interest and *why*.

From a practical perspective, to the degree that organizations are concerned with their stakeholders' support, understanding the third party's perspective can help guide managers to potentially mitigate their perceptions of injustice and subsequent responses. Moreover, from a mistreated victim's standpoint, gaining sympathy from observers can be an important factor in garnering public support for curtailing mistreatment (Leung et al., 1993).

Figure 1 presents our model of third party reactions to employee (mis)treatment. At the heart of the model are the third party's perceptions of unfairness. Having gained information about an exchange between an organizational member (including bosses and coworkers) and an employee, the third party forms a

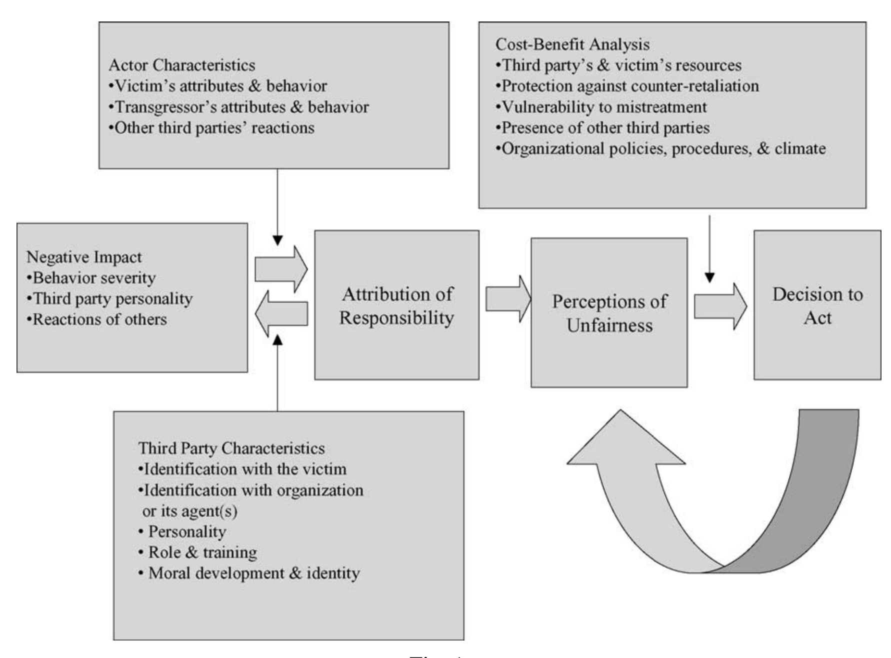


Fig. 1.

judgment regarding whether the employee has been negatively impacted. The appraisal includes an assessment of whether the employee's entitlements have been neglected or violated (Montada, 1992). Employee entitlements can include aspects of distributive (i.e. outcomes), procedural (i.e. procedures used to derive one's outcomes), or interactional (i.e. interpersonal treatment by one's supervisor) justice.

The model begins with identifying the factors that can affect a third party's perceptions of negative impact, which trigger assessments regarding attributions of responsibility. The model also explains how unfairness perceptions can translate into behavior and trigger the third party's decision to act on the perceived unfairness. Third parties' reactions can range from responses that reflect sympathy for the victim's plight (e.g. acknowledging the victim's dilemma, blaming the organization and/or its agent, taking action to restore the injustice, distancing oneself from or punishing the organization or its agent) to unsympathetic responses (e.g. denying that an injustice has occurred, blaming the victim for his or her own plight, ignoring or distancing oneself from the victim, aligning oneself with the organization or its agent) (Batson, Fultz & Schoenrade, 1987; Brockner & Greenberg, 1990; Hoffman, 1989; Stotland, 1969). Our model also includes a feedback process in which the third party's behavior can subsequently affect his or her perceptions of unfairness (i.e. cognitive dissonance). In this way, our model provides a dynamic and circular process in which third parties react to mistreatment and their reactions can affect their own subsequent perceptions.

We begin with a theoretical discussion of why third parties care about employee mistreatment in the first place. Next we describe our model, including the factors that can influence fairness judgments and the decision to react to mistreatment. We conclude with implications for theory, research, and practice.

THEORETICAL BASES FOR THIRD PARTIES' REACTIONS TO EMPLOYEE MISTREATMENT

Third parties can care about employee mistreatment for several reasons. Existing theories, however, have identified two general orientations to understanding their justice motives: self-interest formulations and justice as a moral imperative.

Self-Interest Formulations

The dominant social science perspective on justice locates individuals' justice concerns in self-interest, based on the assumption that people are motivated by

rational self-interest in their dealings with others (cf. Miller, 1999). Social exchange theories (Blau, 1964), for example, propose that people follow certain rules of exchange because it is in their self-interest to do so. Equity theory (Adams, 1965) states that people experience distress when their perceptions of their outcome-to-input ratio falls below the ratio of referent others. Instrumental models of procedural justice (Thibaut & Walker, 1975) propose that people care about fair procedures in order to maximize their benefits of exchange. Referent cognitions theory (Folger, 1987) suggests that individuals draw upon mental simulations of alternative treatment to determine their resentment about treatment done to themselves. Lind and Tyler's (1988) relational model focuses on the symbolic implications that fair procedures have for one's own feelings of dignity, respect, and self-worth.

Currently, the theory most often used to explain third parties' justice motives is Lerner's (1980) Belief in a Just World, which states that most people need to believe that they live in a world where people, including themselves, get what they deserve and conversely, deserve what they get. Becoming aware of others' experience of injustice, either in the form of deprivation and suffering (Lerner & Simmons, 1966) or privilege (Lerner, 1965), poses a threat to the just world belief that in turn motivates the third party to restore justice either behaviorally or cognitively. Just world concerns, however, are still motivated by self-interest. Studies show, for example, that observers can derogate innocent victims as a way of maintaining their belief in a just world (see Lerner, 1980, for a review). Self-interest theories of justice predict that observers care about the mistreatment of others to the degree that it arouses self-concerns. As we discuss later in this chapter, third party self-interest is implicated through processes such as similarity or identification with the victim (Walster et al., 1978).

Justice as a Moral Imperative

The capacity of individuals with virtually no personal involvement with victims to become upset and preoccupied with unfairness poses a challenge to justice formulations that presume all third party concerns to be motivated by self-interest. Of interest in situations such as these are approaches that can explain how a third party's justice concerns can be engaged for reasons that are not derived from his or her self-interest or relationship with the victim, symbolic or otherwise.

As an alternative to the pure self-interest explanation, Folger (2001) coined the term *deontic* justice to reference a psychological state yielding emotionally charged reactions to events seen as violating or infringing on moral norms about social conduct. Deontic emotional experiences derive from individuals' moral

assumptions regarding how human beings *should* be treated (Folger, 2001). The Greek term *deon* refers to one's obligation or duty, as expressed by terms such as *should*, *must*, or *ought not to*. As Rawls (1971) noted, by reason of their humanity, individuals have the right to be treated in a way that fosters dignity and allows for positive self-regard. Folger (2001) proposed that people can be motivated toward fairness because it is the "right thing to do" – as an end in itself rather than solely as a means to attaining self-interest goals. Reactions to moral violations arise from holding people accountable for their choices concerning which courses of action to pursue. A deontic sense about fairness and about right and wrong seeks to validate the moral and ethical standards that regulate interpersonal conduct (cf. Folger, 2001). Turillo et al. (2002), for instance, found that third parties were willing to sacrifice financial gain in order to punish someone who had a prior intent to be unfair, even when they did not know the intended victim, and had nothing to gain personally by their behavior.

In summary, third parties can care about employee mistreatment for at least two reasons: (a) because of self-interest concerns; and (b) because mistreatment violates moral and social norms. We return to these two motives throughout the chapter as we explain the factors that predict third parties' reactions to employee mistreatment.

A MODEL OF THIRD PARTY REACTIONS

Fairness theory (Folger & Cropanzano, 1998, 2001) proposes that individuals judge unfairness by considering whether an event is aversive and whether an individual is accountable for a moral violation. Central to fairness theory is the role of cognitions about "what might have been," that are used to assign blame and to judge the severity of an injurious event, whether it be material (e.g. being laid off) or psychological (e.g. demeaning interpersonal treatment). Fairness theory proposes that a potentially injurious event can give rise to counterfactual thinking (i.e. the event is compared to imagined alternative events) concerning three questions: (1) What *would* the event have felt like if it had occurred differently (i.e. event aversiveness)?; (2) *Could* an agent have acted differently (i.e. attributions of intentionality)?; and (3) *Should* an agent have acted differently (i.e. beliefs about normative and moral responsibility)? These counterfactuals involve identifying referents that are compared to the event being evaluated. Individuals perceive greater injustice to the extent that they believe that an imagined alternative event *would* have felt better than the actual event, and that the event *could* and *should* have happened differently. The ease with which individuals can imagine more favorable versions of all three counterfactual judgments determines a sense of injustice.

Although fairness theory has been discussed primarily in terms of the two-party case (where a victim holds a second party accountable for his or her negative experience) the general principles extend to the three-party case. Consistent with this approach, we propose that third parties' fairness perceptions are similarly driven by the same three counterfactuals associated with the two-party assessment. Perceptions that an employee has received a negative outcome can trigger a sensemaking process in which third parties make attributions regarding whether the outcome was somehow justified. In Fig. 1, this process is illustrated by the arrows linking "Negative Impact" to "Attribution of Responsibility." If the victim's outcome is deemed to have a negative impact (it *would* have been better if events had unfolded differently), if the organization or its agent is deemed responsible for the wrongdoing (i.e. they *could* have done things differently), or if the treatment violates certain moral and social norms (i.e. they *should* have done things differently), then perceptions of unfairness are likely to occur. Injustice perceptions are likely to be strongest when third parties believe that transgressor could *and* should have treated the employee differently. This activation process locates attributions as a mediator in the relationship between outcomes and fairness perceptions. Importantly, we note that each of these evaluations is *as perceived* by the third party. That is, an event perceived as unfair by a third party can be viewed as fair by another third party and vice versa. Similarly, a third party's fairness perception can differ from a victim's fairness assessment.

Negative Impact

The third party's judgment of the first counterfactual (*would* the victim have felt better if events had unfolded differently?) involves an evaluation of the (mis)treatment's negativity. Folger and Cropoanzano (1998) suggest that this consists of an assessment of the magnitude of injustice experienced by the victim. Kalvin and Zeisel (1966), for example, found that a jury member's judgment of a criminal defendant is often related to the amount of harm suffered by the victim. Here, a primary factor affecting third parties' fairness perceptions is outcome negativity – the perceived severity of the wrongdoing's negative impact on the victim. Outcome negativity in a layoff, for example, can consist of the perceived negative impact in terms of loss of income (distributive justice), unfair rules deciding which employees were laid off (procedural justice), and the way in which the supervisor implemented the layoff (interactional justice) (Folger & Cropanzano, 1998).

When assessing outcome (un)fairness, the third party can consider multiple distribution rules: the equality principle (everyone should be treated the same), the

need principle (those who are most in need should benefit), or the equity principle (rewards should be based upon one's contributions) (Deutsch, 1975). Generally, individuals tend to prefer the decision rule that provides themselves with the most favorable outcome or that aligns with their predominant value system. If the third party has a strong preference for an alternative decision rule to the one that the organization or its agent applied to the victim, and can imagine that the victim would have received a more favorable outcome had the preferred rule been applied, then the third party is likely to deem the victim's outcome to be unfair.

As a general principle, the more severe the mistreatment, the easier it is for a third party to imagine an alternative "state of the world" in which the victim experienced less negative impact – and therefore, the greater the perceived unfairness. Although fairness judgments can be highly subjective, third-party assessments of outcome severity can also contain an objective component. That is, third parties can sometimes agree on the degree of negative impact experienced by the victim. A loss of wages of $100,000 can have more negative impact on the average employee, for example, than a loss of $20,000. In sexual harassment research, studies have found that third parties generally agree on how various sexual behaviors should be ranked in terms of their severity (Baker, Terpstra & Larntz, 1990). Both laypersons and formal decision makers (i.e. judges) agree that behaviors such as sexual assault and physical contact of a sexual nature are more severe than offensive language or unwanted nonverbal attention such as gestures, stares, and whistles (Kulik, Perry & Pepper, 2003; Rotundo, Nguyen & Sackett, 2001; Terpstra & Baker, 1988).

Negative impact can also be affected by the third party's personal viewpoint. For example, third parties bring to the situation certain expectations of "appropriate" outcomes that can result from their cultural background, their personal experience, or other idiosyncratic factors (Leung & Tong, 2003). These expectations can influence the outcome of the counterfactual: the greater the distance between what actually occurred and what the third party thinks should have happened, the greater the need for an explanation (Wong & Weiner, 1981) and the more that information processing is activated (Langer, 1989).

Further, some third parties are more predisposed than others to view a victim's outcomes as having a high negative impact. An individual who scores high on a measure of negative affectivity (NA), for instance, experiences greater distress and dissatisfaction over life events and lower assessments of others (Watson & Clark, 1984). NA tends to increase one's susceptibility or responsiveness to negative emotion-generating stimuli (Larsen & Katelaar, 1991). Bolger and Zuckerman (1995) asked participants to complete a diary for 14 days to record their reactions to daily interpersonal conflicts. High NA individuals reported greater exposure and negative reactivity to conflicts and greater perceived mistreatment around them than low NA individuals. This suggests that high NA third parties are likely

to perceive a victim's negative outcomes as more distressing and severe than low NA third parties. Narcissistic personalities, for another example, are characterized as unwilling to either recognize another person's predicament or to identify with the feelings of others (Berkowitz, 1970; Schwartz, 1975). Third parties who score high on a narcissistic measure are unlikely to view even extremely severe outcomes as having a negative impact on the victim.

Outcome negativity is also socially constructed, and the victim and other actors (e.g. other third parties or the organizational agent) in the broader context can influence the third party's perceptions about how much negative impact has occurred. At the scene of a car accident, a writhing and moaning victim surrounded by horrified onlookers is likely to lead a third party to assume a high degree of negative impact. In the same way, third parties are likely to be influenced by the victim's reaction to organizational mistreatment: A victim who bursts into tears (as did Bryan Drapp's coworker in the opening vignette) signals to the third party the severity of his or her experience. Studies have shown that, in general, the greater the victim's perceived suffering, the more the third party will deem the event unfair (Geer & Jarmecky, 1973; Skarlicki, Brown & Bemmels, 2004).

Other individuals' behavior associated with the event can similarly draw the third party's attention to the victim's negative outcomes. According to social information processing theory (Salancik & Pfeffer, 1978), third parties' perceptions could be affected by others' opinions in at least four ways. First, other third parties' stated opinions can directly influence a third party's assessment of the mistreatment's severity. These opinions can act in two ways: (a) they suggest how cues should be interpreted; and (b) the desire to conform can exert pressure on the third party to follow the advice implicit in the opinion. Second, others' opinions can cue a third party regarding what behaviors to watch for in the work environment even before the event happens (Jones & Skarlicki, in press). Third, others' opinions can influence the third party to consider ways that the victim's outcomes might have been different, contributing to the third party's counterfactual sensemaking. Fourth, as we discuss next, how other parties (e.g. friends, news reporters) describe and tell stories about the event can also affect third parties' attributions of responsibility.

Attributions of Responsibility

If the third party concludes that the victim has suffered negative impact, the next step in the process illustrated by Fig. 1 is to determine whether the organization and/or its member(s) is to blame for the outcome, and should be held accountable for that negative outcome. Here, the third party considers the second counterfactual: *Could* the organization or the rule violator have acted differently? Individuals have

a need to infer causes and to assign responsibility for outcomes (Ross & Fletcher, 1985; Shaver, 1970; Walster, 1966). In order for the third party to conclude that the victim was unfairly treated, the third party must hold the organization or its agent(s) responsible for the victim's outcomes. Negative outcomes that were unavoidable, or negative outcomes that were brought about by the victim's own behavior, are not deemed to be organizational mistreatment. If unfavorable outcomes are seen as being self-inflicted – as though the victim behaved carelessly or "brought it on him- or herself" – justice concerns are often allayed (Ryan, 1971).

Outcome negativity and attributions of responsibility can have a reciprocal impact on one another, as indicated by the parallel arrows in the figure. Studies of whistleblowing show that the more severe the wrongdoing, the more that third parties will be motivated to determine its source and what should be done about it (Miceli & Near, 1992). Moreover, the greater the harm experienced by a victim, the more likely it is that a third party will ascribe intention and responsibility to the transgressor (Lerner & Miller, 1978; Shaver, 1970; Walster, 1966). But once an attribution of responsibility is made, the attribution itself can impact the perceived negativity of the victim's outcomes. When one person intentionally harms another, far more is involved than the resulting physical or material hurt. The intentional offender can be seen as demonstrating contempt for the victim or the victim's social group, as though asserting superiority over the victim's beliefs or value system (Miller & Vidmar, 1981). As a result, intentional wrongdoing is seen as more severe and unfair than unintentional mistreatment because the former threatens the social order and can predict future offences (Heider, 1958; Miller & Vidmar, 1981). Once a third party concludes that the organization or its agents intended to harm the victim, these social wrongs are included in the third party's assessment and add to the third party's impressions of the severity of the victim's negative outcomes. And as the perceived severity of the victim's outcomes mounts, the more intensely the third party will search for a responsible party, and see the organization or wrongdoer as firmly "on the hook" and accountable for the victim's negative experience.

This reciprocal relationship between negative impact and attributions of responsibility suggests that third parties are likely to deem some types of fairness rule violations as more offensive than others. For instance, whereas third parties can view distributive and procedural justice violations as unfair (Brockner, 1990; Skarlicki et al., 1998), interactional injustices are likely to loom especially large. This is because, whereas the responsibility associated with distributive and procedural justice violations can be hard to pinpoint, there is less ambiguity when locating blame for interpersonal mistreatment. A manager who fires an employee with no advance notice and no severance pay might not be seen as responsible for the employee's job loss if other parties (e.g. the President who failed to revive

a sagging economy, the profit-seeking shareholders, or the bullies in corporate headquarters) are viable causal agents. However, that manager will be seen as highly responsible for mistreatment if the news of the firing is communicated insensitively or rudely to the employee. Moreover, these interpersonal violations can lead the victim to experience social or psychological harm. Such violations are deemed more severe and unfair than violations of material harm (Alicke, 1992). Interpersonal justice violations signal that the transgressor not only lacks concern for the justice rule, but also that he or she is not concerned about preserving the other person's "face" (Goffman, 1952). In turn, intentionality has the greatest impact on judgments of causality and responsibility (Shultz, Schleifer & Altman, 1981) because intentional mistreatment is viewed as predictive of subsequent wrongdoing by the offender (Miller & Vidmar, 1981).

How does a third party determine whether the organization or the offender are responsible for the victim's outcomes? Weiner (1987, 1989) proposed that attributions of blameworthiness for wrongdoing derive from three criteria. First, did the negative outcome occur as a result of internal or external causes (locus of causality)? In legal environments, individuals look to determine whether the wrongdoing resulted from someone's actions (necessity rule) (Hart & Honoré, 1959). Second, did the transgressor have control over the outcome (controllability)? This criterion includes a consideration of the level and role of the wrongdoer in the organization: should the transgressor have known better? People of higher status are often held to a higher responsibility standard than people of a lower status (Hamilton, 1978). Third, was the outcome a result of stable or unstable factors (stability)? For instance, is this event typical of the transgressor's behavior or is it highly unique? Does the transgressor have a history of mistreatment? The more that the transgressor's behavior is deemed to be internal, controllable, and stable, the more he or she will be held responsible for the negative outcome.

FACTORS AFFECTING THE RELATIONSHIP BETWEEN OUTCOME NEGATIVITY AND ATTRIBUTIONS

The relationship between outcome negativity and attributions of blame can be affected by: (a) factors associated with the actors involved in the wrongdoing (i.e. the victim, the transgressor, and other third parties); and (b) factors regarding the third party him- or herself.

Actor Characteristics

Victim's Attributes and Behavior. The relationship between outcome negativity and perceived responsibility for the treatment are a function of the third party's

beliefs that the victim deserved the treatment. For instance, if the victim has made deliberate choices to disregard rules, suggesting a lack of commitment to or a lack of respect for authority, or is generally a poor performer, he or she can be deemed responsible for eliciting the harmdoer's behavior. Third parties tend to view under-performers' mistreatment as deserved and attribute blame for the treatment to the victim rather than the organization or its agents (Niehoff, Paul & Bunch, 1998). The victim's reaction to the agent's treatment can also serve as an important cue for the third party. For example, victims who respond negatively to a sexual advance (by disagreeing, frowning, or speaking in an angry tone) are more likely to be perceived by third parties as victims of sexual harassment (Jones, Remland & Brunner, 1987; Summers, 1996; York, 1989). Further, federal judges are more likely to decide cases in favor of a victim of sexual harassment if the evidence indicates that the victim had subsequently utilized internal organizational grievance channels (Perry, Kulik & Bourhis, 2004; Terpstra & Baker, 1992). Victims who do not take immediate advantage of the resources available to them might not be taken seriously when they later ask for help from third parties.

Transgressor's Attributes and Behavior. The transgressor's behavior and perceived character can also provide information about the transgressor's intent and are used in deciding where responsibility for a negative outcome should be assigned (Landy & Aronson, 1969). A transgressor can include an entity (an organization) or person(s) (the supervisor, a coworker, an executive team). A wrongdoer who has a history of rule violations is more likely to be perceived as a potential recidivist than a first-time offender. Prior offences signal that the offender does not share a commitment to fairness rules, which threatens a third party's need for stability and control. Although mistreatment arising out of a transgressor's negligence is likely to contribute to unfairness perceptions, their behavior is not likely to be judged as negative as when the (mis)treatment was intentional (Carroll & Payne, 1977). Similarly, if a rule-breaker expresses pleasure, a third party will attribute greater responsibility to the transgressor, deem the mistreatment more unfair, and hold the transgressor as more responsible than when pleasure is not evident (Schwartz, Kane, Joseph & Tedeschi, 1978). An example of this effect is illustrated by the events following the bombing that took place in Bali in October 2002. Third parties (in this case news reporters and the general public) increased their disdain for the wrongdoer, and nicknamed him the "smiling assassin," when he expressed pleasure during his trial (Chubove, 2002).

Research suggests that third parties' perceptions of responsibility for a negative outcome are affected by impression management tactics, including the provision of social accounts (e.g. Bies & Moag, 1986). For example, Tata (2000) found that harassers who denied ("I did not do that!") or excused ("I've been so stressed out trying to complete this project . . . I don't know what came over me") their sexual behavior effectively reduced a third party's judgment that the behavior constituted

sexual harassment. Providing a rationale for the mistreatment or expressing remorse can affect a third party's attributions and subsequent fairness perceptions of a mistreatment (Montada, 1998; Skarlicki et al., 1998). On the one hand, social accounts can have a direct impact on outcome negativity. Referential accounts (i.e. "the outcome could have been worse"), for instance, can reduce the third parties' perception of outcome negativity of the event. On the other hand, social accounts are likely to impact fairness perceptions through their effects on attributions of responsibility. Shaver's (1985) conceptual model of the attribution of blame specifies that multiple causes for unfavorable outcomes can lead to a diffusion of responsibility either to other actors or to mitigating factors. If a transgressor's account is accepted, then he or she might be seen as responsible for the mistreatment, but not necessarily blameworthy. If the account is not accepted, the transgressor is seen to be blameworthy and morally accountable for his or her actions.

Penitential accounts (i.e. apologies) can convey a transgressor's responsibility for the wrongdoing, but suggest that the event is not representative of the transgressor's character (Schlenker, 1980). Thus, apologies can influence the stability criterion of attributions. Remorse can be interpreted as an indicator of regret and suffering on the part of the transgressor, which can also reduce perceptions that the mistreatment was purposeful and intentional (Austin, Walster & Utne, 1976; Schwartz et al., 1978). Apologies are important not only because they help determine attributions of responsibility, but also because of the societal implications of mistreatment. A non-remorseful rule-breaker is more likely to be viewed as a potential recidivist than an offender who expresses remorse (Sykes & Matza, 1957). The more contrite the transgressor, the greater the third party's confidence that the individual will not violate the rule again. Contrition or an adequate explanation also acknowledges the validity of the violated rule. If the transgressor indicates respect for a fairness rule or at least acknowledges that a fairness rule has been broken, the violation is seen as less purposeful and less threatening to social order. From an equity perspective, expressing remorse or providing an explanation can serve as a means of restoring equity to the injured party (O'Malley & Greenberg, 1983).

Moreover, there are likely better and worse reasons for intentionally breaking a fairness rule. Transgressions committed to avoid loss are less disturbing to third parties than those committed for the purposes of gain (Kelley, 1971). In a layoff, for example, third parties can ask whether it was necessary to downsize at all, or was management simply being greedy? When people believe that an individual or organization is motivated by selfishness, unfairness perceptions are likely to prevail (Blount, 1995).

The ability of impression management tactics to influence the relationship between negative outcome and attributions depends on the transgressor's credibility

(Gundlach, Douglas & Martinko, 2003). The lack of perceived sincerity and genuineness of either the social account or the account-giver is likely to reduce its effectiveness in lowering attributions of culpability. This is because unconvincing accounts can instead draw attention toward the transgressor's responsibility for the outcome. Additionally, the public demonstrate a disdain for being lied to (Averill, 1982), which can further implicate the transgressor's culpability for a wrongdoing.

Other Third Parties' Reactions. Third parties' attributional processing is significantly impacted by the attributions made by other third parties. Because facts are often ambiguous, third parties in a person's social environment – family, friends, neighbors, colleagues – can play a key role in defining the experience. Social information theories (e.g. Cialdini, 1993; Festinger, 1957; Salancik & Pfeffer, 1978) and fairness research (e.g. Lerner & Simmons, 1966; Lind et al., 1998) suggest that other third parties, including witnesses in legal proceedings or media representatives, provide information used to construct and interpret events, which can influence both perceptions of outcome negativity and perceived blameworthiness (Latane & Darley, 1970). For example, layoff survivors' fairness perceptions were influenced by the fairness reactions of fellow survivors with whom they had considerable interaction (Brockner et al., 1987). Lind et al. (1998) proposed that the most powerful socially mediated injustice judgments involve shared and mutually reinforced experiences. This shared injustice reaction is generated by public discussion and consensus judgment (DeGoey, 2000). Bystanders influence each other by conveying and clarifying their understanding of the event (Darley & Latane, 1968). Studies of polarization (e.g. Isenberg, 1986) and fairness perceptions (Lind et al., 1998) suggest that shared group ratings of unfairness tend to be more extreme than the average of individual ratings, as the group reinforces and escalates individual members' initial impressions.

The Third Party's Characteristics

The relationship between outcome negativity and attributions of responsibility is also a function of the third party's characteristics. One factor concerns the nature of the third party's relationship with the victim and the transgressor. According to social identity theory, people define themselves to a large extent on the basis of their social identities, such as other people, groups, and organizations (Turner, 1982). People derive their self-image from the groups to which they perceive they belong (Brewer, 1991; Tajfel & Turner, 1986). Social identity has several implications for understanding a third party's attribution of blame. In the following section we discuss how the third party's identity, as well as certain between-person differences,

can moderate the relationship between outcome negativity and attributions of responsibility.

Identification with the Victim. Self-interest based theories of justice (e.g. Thibaut & Walker, 1975; Walster et al., 1978) predict that the most potent of injustices are those that threaten a third party's own outcomes. Chaiken and Darley (1973) found that participants who observed an injustice and who were told they would be next in line for similar treatment were least likely to locate blame for the mistreatment with the victim. Layoffs, for example, will likely pose a potential threat to those coworkers who survive the layoff and who learn vicariously about the treatment that they can expect in the future (Brockner et al., 1990; Greenhalgh & Rosenblatt, 1984). The more that a third party perceives that he or she is at risk of a similar fate, the more unfair the mistreatment will be perceived.

A third party might identify with a victim of mistreatment because of such things as affect (e.g. liking the victim), personal similarities (e.g. similar traits or experiences), and group similarities (e.g. similar work roles) (Brockner & Greenberg, 1990). Research on defensive attribution (Burger & Rodman, 1983) has found that individuals tend to make more positive trait judgments about people who are highly similar vs. dissimilar to themselves. Perceptions that the victim possesses similar attributes to the third party can arouse self-concern, particularly when similar attributes are thought to have played a role in the mistreatment. Women, for instance, might become highly focused on an injustice if they believe that women are especially vulnerable to that particular type of unfair treatment (e.g. glass ceiling effects) (Mollica, Gray, Treviño & DeWitt, 1999).

As a general rule, the greater the similarity between the victim and the third party, the more the third party will identify with the victim, and the more the third party will attribute responsibility for the mistreatment to the organization or its agents. Brockner and Greenberg (1990), for instance, found that layoff survivors who identified with the layoff victims tended to view the layoff as highly unfair. Brockner et al. (1987) found that layoff survivors reacted most negatively when they identified with layoff victims who were perceived to be inadequately compensated.

Third parties can also experience "fraternal deprivation" – the perception that members of their identity group are being mistreated relative to members of other groups (Crosby, 1976; Martin, 1993; Mollica et al., 1999). This line of research has identified a boundary condition for the utility of social accounts in increasing fairness perceptions, labeled the "persistent injustice effect" (Davidson & Friedman, 1998; Friedman & Robinson, 1993). Specifically, social accounts used by members of powerful groups (e.g. white males) are not effective in reducing the unfairness perceptions of those third parties who belong to the same traditionally less-powerful social groups as the victim (e.g. women, African-Americans).

Another aspect of the third party's identity concerns their "scope of justice." Opotow (1990, 1996) found that third parties are not motivated to engage in fairness attribution processing for all victims. Victims who fall outside of a third party's scope of justice are outside the boundary within which the third party perceives his or her moral values, rules, and considerations of fairness to apply (Staub, 1989). Mild instances of exclusion include not recognizing undeserved suffering and mistreatment; severe instances can include being blind to violations of human rights, political repression, slavery, and genocide (Opotow, 1996). Victims who fall outside a third party's scope of justice are often viewed as being expendable, undeserving, and not worthy of dignity and respect.

Third parties' scope of justice appears to be motivated by self-interest. For example, studies show that scope of justice shrinks and expands as a function of resource availability. When resources are abundant, one's scope of justice is generally broad (Hogan & Emler, 1981). As resources become scarce, conflict between groups increases, cohesion within groups increases (Elster, 1993), and concerns for fairness across groups decreases (Opotow, 1996).

Finally, as noted elsewhere in this chapter, whereas individuals tend to demonstrate a universal sense of entitlement for themselves to be treated with respect and dignity, third parties' reactions are moderated by their perception of victim's deservingness (Heuer, Blumenthal, Douglas & Weinblatt, 1999). Deservingness refers to the judgments, derived implicitly or explicitly, that people's circumstances are the ones they are entitled to by virtue of their actions or who they are (Ellard & Skarlicki, 2002). In terms of a victim's actions, third parties base their deservingness judgments on such things as the victim's responsibility for the mistreatment's foreseeability and controllability (Feather, 1992). In terms of "who they are," third parties are more likely to deem mistreatment as deserved when it is directed at victims who are out-group than in-group members (Feather, 1999).

Identification with the Organization and/or Its Agent(*s*). The more that a third party identifies with the organization, the less likely he or she will attribute responsibility for a negative outcome to the organization. The basic premise behind organizational identification is that individuals define their self-concepts through their connections with social groups and, by extension, through their connections with social organizations (Abrams & Hogg, 1990; Kramer, 1993; Tajfel, 1982; Turner, 1987). Individuals routinely develop social identities based on cognitive links between their personal identities and a group's identity (e.g. its central, distinctive, and enduring traits) (Hogg & Abrams, 1988). So, if a person identifies strongly with an organization, his or her social identity has a significant overlap with the identity of that organization (Elsbach & Bhattacharya, 2001). The third party's level of formal authority (higher level managers identify more

with company goals) and length of tenure (employees with longer tenure identify more with company goals) can contribute to attachment or identification with the organization (Brockner & Greenberg, 1990).

The attributions that arise from a mistreatment can also be related to the third party's identification with or liking of the harmdoer (i.e. the organizational agent). Chaiken and Darley (1973) found that third parties who witnessed an injustice and who were led to believe that they would be the harmdoer in the next situation were least likely to attribute the responsibility for the mistreatment to the harmdoer. One reason for these findings is that similarity tends to increase attraction (Byrne, 1971). Those who are attractive are deemed less immoral or capable of transgressions than are unattractive others (Heider, 1958). Injustices and discriminations tend to be denied more in one's own group than in other groups (Dalbert & Yamauchi, 1994). Third parties tend to shift the blame away from the person with whom they identify most in order to ward off any blame that the third party him- or herself can encounter in the future (Lerner & Miller, 1978).

An important question, however, is what happens for the third party who identifies with the harmdoer (i.e. the organization or the organizational agent) *and* who considers the outcome so severe as to deem the mistreatment unfair? Brockner et al. (1992) found that layoff survivors were more upset with unfair layoff policies the more that they identified with the organization before the layoff began. Brockner et al. concluded that "the higher they are the harder they fall" – that individuals' identification with the company accentuate their experience of injustice. Third parties appear to provide the transgressor a latitude of acceptance in which the transgressor is given the benefit of the doubt. Once the line has been crossed, however, the transgressor falls into a latitude of rejection, and is viewed as responsible for the transgression and unfair. One reason for this reaction is that the third party's self esteem might be at risk because of his or her identification with something malevolent. Identification with organizations under attack can result in feelings of shame, disgrace, or embarrassment (Dutton, Dukerich & Harquail, 1994). Thus, the third party can feel at risk of being tarred by the same brush as the transgressor (Bainbridge, Kulik & Cregan, 2004; Goffman, 1963).

The Third Party's Personality. Attributions for mistreatment can vary as a function of the third party's characteristics. One personality variable commonly associated with third parties' attributional processing is Belief in a Just World (BJW) (e.g. Lerner, 1980). Individuals with a particularly strong vs. weak BJW tend to experience more discomfort in the face of mistreatment of innocent victims because of a greater discrepancy between their beliefs and their observations. Moreover, third parties who score high on a BJW measure are highly motivated to reduce the discrepancy, often through some psychological strategy (Walster, Berscheid & Walster, 1976), which can include blaming an innocent victim for

the mistreatment (Lerner, 1980). In other words, strong BJWs will tend to view the victim as deserving of mistreatment, and assess mistreatment as more fair than individuals low on BJW. Due to the motivation to sustain this belief, a third party's view of mistreatment can ironically be objectively false and to that extent itself unjust (Montada, 1998). For example, strong BJW jurors can fail to convict a sex offender because they are motivated to see the victim as "bringing it on herself" by dressing provocatively.

Individuals who see themselves as in control of their own environment can also demonstrate the tendency to assign blame for a mistreatment to a victim. This tendency arises because individuals who are high vs. low in control see themselves as able to manage their environment and feel less vulnerable to misfortune. They also believe that other people should be held responsible for their own fate (Langer, 1975). Examples of personality variables related to this tendency include authoritarianism (Adorno, Frenkel-Brunswik, Levinson & Nevitt, 1950), self-esteem (e.g. Spencer, Josephs & Steele, 1993), illusions of control (e.g. Langer, 1975), and illusions of invulnerability (e.g. Perloff, 1983).

Last, we propose that certain cross-cultural variables, such as power distance –the degree to which unequal distributions of power are accepted or rejected within a given society (Hofstede, 1980) – could also moderate the relationship between outcome negativity and attributions of blame. One reason for these effects are that when inequalities are powerfully justified (e.g. by political leaders), individuals are likely to suspend or suppress their judgment of the leader's culpability for a wrongdoing.

The Third Party's Role and Training. Third parties are likely to form different impressions of responsibility depending on their roles and their training. Third parties in the roles of arbitrators and judges, for example, have been trained to "weigh the evidence" when judging whether an organization or its agent(s) are responsible for an employee's negative outcome (Elkouri & Elkouri, 1997). Their training focuses on distinguishing between relevant and irrelevant information when making their deliberations. Lay observers are likely to pay attention to hearsay, for instance, whereas judges and arbitrators would be expected to place less weight on information that is not fully supported by evidence. As a result, trained third parties could make different attributions of responsibility for negative outcomes than third parties who do not have this training (Kulik et al., 2003).

Organizations can and sometimes do provide training to third parties to influence their attributions of responsibility. For example, when determining whether harassment has occurred, organizational decision makers are encouraged to consider the "reasonable woman standard" by explicitly adopting the victim's (usually female) perspective (Perry et al., 2004). Organizations that train their supervisors and human resource managers to use this perspective are likely to

be more aggressive in identifying those employees responsible for social-sexual misbehavior in the workplace.

The Third Party's Moral Development and Moral Identity. Research has begun to examine the role played by individuals' ethical and moral reasoning in determining their justice-related behavior. As noted earlier, Folger's (2001) deonance model of justice proposes that individuals care about justice not only because of economic or relational motives, but also as an important end in itself. Folger (1998) described a link between Kohlberg's (1984) three levels of moral development and different models for justice motivations. The pre-conventional level of moral development, at which individuals are motivated by material rewards and punishment to act in their own best interests, corresponds to models of justice which focus on self-interested, instrumental motivations (e.g. Adams, 1965). The conventional level of moral development is characterized as following social rules and gaining the approval of others, as is discussed in the group value or relational approaches to justice (e.g. Lind & Tyler, 1988). The final stage of moral development, the post-conventional level, is characterized by respect for universal principles of right behavior and a genuine interest in the wellbeing of others. Individuals tend to predominantly engage in types of moral reasoning that are consistent with the highest level of moral development they have attained (Kohlberg, Levine & Hewer, 1983).

Relative to third parties of low moral development, third parties who have achieved higher levels of moral development would likely be less concerned about attributional explanations for wrongdoing. Instead, their concerns lie in the fact that a wrongdoing has occurred. For these third parties, moral outrage and perceptions of unfairness occur because of their belief that individuals deserve to be treated with dignity and respect.

Whereas Kohlberg et al.'s (1983) model focuses on between-person differences in moral development, Skitka's (2003) Accessible Identity Model suggests that the way a person reasons about fairness (i.e. their position in the moral development hierarchy) can vary across situations, depending on whether their material identity, social identity, or personal identity (which includes the ethical/moral identity) is currently most dominant. These three aspects of a person's self-identity are hierarchically ordered, with personal identity concerns superseding material or social concerns if there is a conflict across hierarchical levels. Along the same lines, studies of moral identity, defined as a person's character that is held internally and projected to others (Aquino, Reed, Stewart & Shapiro, in press), includes a commitment to promoting and protecting the welfare of others (Hart, Atkins & Ford, 1998). The more that third parties are committed to their moral identity, the greater their concern about a transgressor's violations of moral norms. As noted above, third parties who are high on moral identity will be highly concerned

that a violation has occurred; determining why it happened (i.e. attribution of responsibility) will be less critical to fairness judgments.

WHAT FACTORS INFLUENCE A THIRD PARTY'S DECISION TO ACT?

As we described earlier, based on fairness theory (Folger & Cropanzano, 1998) we propose that third parties consider three counterfactuals in making a fairness assessment: *Would* the victim have experienced different outcomes had events unfolded differently? *Could* the transgressor have acted differently and avoided the victim's negative outcomes? And finally, *should* the transgressor have acted differently? An affirmative answer to the first two questions can be sufficient for the third party to attribute the victim's negative outcomes to the transgressor and decide that the victim's experience was unfair. We also propose that an affirmative answer to the question of *should* is likely to be particularly motivating for the third party's fairness perceptions. However, labelling an event as "unfair" does not necessarily mean that a third party will take steps to redress the injustice (Greenberg, 2001).

Experiential vs. Rational Reactions to Unfairness

Within the social cognition literature, research and theory suggest that information processing strategies can fall along a continuum (Brewer, 1988; Fiske & Neuberg, 1990). At one end of this continuum, perceivers engage in automatic, heuristic-based processing – processing that is quick and easy, and often emotionally charged. At the other end of this continuum, perceivers engage in careful, controlled processing of as much information as they can access. This processing distinction is highly relevant to understanding how third parties process fairness information.

Epstein and his colleagues (Epstein, Lipson, Holstein & Huh, 1992) described one end of the processing continuum as an "experiential" system. When processing information experientially, people use cognitive shortcuts to decide how to react to unfair treatment (Lind, 2001). They automatically interpret, encode, and organize their experience based on gut instinct and intuition. They react to the overall situational context and let their emotions drive their subsequent behavior (Epstein & Pacini, 1999). The experiential end of this continuum is consistent with Folger's (2001) description of "deontic" reactions to injustice. Third parties can experience strong emotions when confronted with a victim's suffering (Lerner & Goldberg, 1999). The intense emotional sense of "wrongness" and moral outrage that can accompany a *should* counterfactual can lead a third party to engage in the desire to

punish a wrongdoer, even to the point of personal cost or risk (e.g. by organizing boycotts, publicly denouncing the transgressor, or taking other actions intended to harm the harmdoer). The power of these emotional reactions might also explain why researchers sometimes find that third parties are more motivated to punish a transgressor than to aid a victim (Lerner, 1965; Walster et al., 1976). Further, the emotional intensity associated with one injustice can have spillover effects on the third party's reaction to a later injustice. For example, Lerner, Goldberg and Tetlock (1998) found that third parties who were angry about a prior injustice were more punitive when they later encountered a transgressor who had negligently caused harm to others.

In contrast, the other end of the continuum is characterized by "rational" information processing (Epstein et al., 1992). Rational information processing is logical and analytical, and tends to operate at a highly conscious level of awareness. When making rational decisions, people consciously gather information and weigh the evidence before taking any action. Most research on third parties has emphasized rational processes in explaining third party decisions to act on injustice. For example, the whistleblowing literature suggests that third parties engage in a careful cost-benefit analysis before responding to injustice (e.g. Dozier & Miceli, 1985; Miceli & Near, 1992).

Factors in a Cost-Benefit Analysis

The Third Party's and the Victim's Resources. One aspect of this analysis involves third parties assessing their own resources (e.g. time) available to react to their (un)fairness perceptions. Possessing particular skills, knowledge, expertise, resources, and having certainty about how best to help (Schwartz, 1975; Wortman & Lehman, 1985) increases the likelihood that a third party will take action to help the victim, while a sense of helplessness reduces the likelihood of action (Notarius & Herrick, 1988). Providing organizational policies and training on how to blow the whistle, for instance, results in whistleblowing behavior (Miceli & Near, 1992). Walster et al. (1976) found that if the resources available to a third party would only be partially effective in eliminating the victim's deprivation, then the act of helping was entirely avoided. This might explain why some disasters, such as the current drought in Southern Africa, fail to fully engage international relief efforts (Inter-Agency Secretariat of the International Strategy for Disaster Reduction, 2004). The vastness of the problem, which is being described as the worst drought in more than a decade, can make relief workers feel that even the full resources of their humanitarian services agencies will make little difference in helping to feed the millions of people threatened by the drought.

The third party's review will also include an assessment of the victim's personal resources. Third parties are most likely to intervene when they perceive that they can do something for a victim that the victim cannot do on his or her own (Utne & Kidd, 1980). This represents yet another difference between victims and third parties in the way they react to injustice: while a lack of power and limited resources will constrain a victim's ability to respond to unjust treatment, these same victim characteristics can motivate a third party to respond to unjust treatment on the victim's behalf.

Protection Against Organizational Counter-Retaliation. The cost benefit analysis is also likely to include a review of the resources available to the third party to protect him or her against subsequent retaliation from the wrongdoer or the organization. According to social learning theory, vicarious learning operates primarily through outcome expectancies (Bandura, 1977). By observing what happens when others behave in a certain way, people develop expectations that behaviors are linked to particular outcomes. Third parties who have observed that other people's proactive behavior to correct injustice is punished will expect similar outcomes in the future (Treviño & Ball, 1992). Third parties inside the organization might be more willing to take action against perceived injustice if they have higher position power (e.g. critical job knowledge, high organizational status) or believe that their actions will be supported by senior executives. These resources are likely to provide some protection, since they give the third party some power to defend themselves within the organization (Near & Miceli, 1996; Perry, Kulik & Schmidtke, 1997).

However, low status third parties are still be able to identify resources that offer protection against organizational retaliation. For example, third parties can have accumulated idiosyncrasy credits by demonstrating their general willingness to follow the group's rules and norms (Hollander, 1958). Once this positive behavior pattern has been established, the group member can be allowed to criticize the group's rules and norms on occasion. In other words, while it might generally be seen as being in poor taste to criticize the organization's management practices, an employee with a sufficiently high balance of idiosyncrasy credits may be able to defend a victim without experiencing personal penalties. Third parties who are outside the organization could feel particularly free to act on perceived injustice because they are beyond the reach of organizational counter-retaliation efforts. News reporters, concerned citizens, or equal opportunity representatives, for example, can feel protected because they might not depend on the wrongdoing organization's goodwill or support.

Vulnerability to Mistreatment. Another factor that can influence the cost-benefit analysis is the third party's assessment of his or her personal vulnerability to future mistreatment. Studies show, for example, that the sentences handed down by jurors

are more severe when they believe that there is a crime wave in their community (Heider, 1958). Fearing that the burglar or the mugger might strike them next, third parties are more prepared to step in on behalf of the previous victim. Similarly, in an organizational context, a third party's sense of personal vulnerability can motivate action in order to prevent his or her own unjust treatment in the future (Treviño, 1992).

Third parties' vulnerability to mistreatment can also affect their motivation to help others in the future. Notz, Staw and Cook (1971), for instance, found that subsequent to a draft lottery for service in the armed forces, draft-eligible males who narrowly missed being drafted showed a greater tendency to advocate total military withdrawal from the Viet Nam war than did draft-eligible males who were drafted for service. It seems that having narrowly escaped a similar fate, the third party may be motivated to help someone who is in a similar predicament.

Presence of Other Third Parties. Darley and Latane's (1968) classic study on the bystander effect suggests that a third party is less likely to act in the presence of others. They found that when confronted with someone in need of help, 70% of study participants who were alone would act to help a victim within four minutes of learning about the incident, whereas when other onlookers were present, this proportion dropped to 12%. Several explanatory processes can account for these effects, including the pressure to conform with the group, social loafing (less accountability with others present), and de-individuation (third parties can be aware of group or organizational norms not to help). These effects can also be a function of the size of the group. Diffusion of responsibility tends to be positively related to the number of members in a group (Latane & Darley, 1970). If the injustice has been widely reported (e.g. if the incident has appeared in a newspaper account), a third party can also feel more anonymous and less responsible for responding to the injustice (LePine & Van Dyne, 1998).

Organizational Policies, Procedures, and Climate. Third parties can feel powerless against an organization unless they can rally support from others (e.g. through internal organizational mechanisms, through a union, or through legal assistance). Therefore, the cost benefit analysis is likely to include an assessment of the organization's policies (Perry, Davis-Blake & Kulik, 1994), grievance procedures (Wittenberg, Mackenzie, Shaw & Ross, 1997), and climate (Miceli & Near, 1992). Some professions or organizations have explicit codes of conduct that emphasize an individual's responsibility to respond to wrongdoing; these codes can encourage third parties to act on perceived injustice (McLain & Keenan, 1999). However, the mere presence of a policy or a grievance procedure is unlikely to be sufficient to prompt third party action. Perry et al. (1997), for example, found that an organizational grievance system had to be perceived as responsive to employee complaints before individuals were likely to bring forward harassment claims.

The outcome of a third party's cost benefit analysis can be positive (i.e. the expected benefits to the third party, the victim, and/or the broader social good exceed the anticipated costs) for some third parties, but negative for others (the expected costs exceed expected benefits) (Ellis & Arieli, 1999; Miceli & Near, 1985, 1992; Near & Miceli, 1987, 1995). Third parties whose cost-benefit analysis is positive are more likely to take action against the injustice than third parties whose analysis is negative. Although actions might include offering direct assistance to the victim, as noted earlier there appears to a greater tendency to seek revenge against the harmdoer, or to make efforts to "right the wrong" by seeking reparation from the harmdoer on the victim's behalf. Third parties whose cost-benefit analysis is negative are unlikely to engage in behaviors that are sympathetic to the victim. Their reluctance to take action against organizations or their agents can occur due to the perception that the risk of physical harm, embarrassment, or other negative outcomes outweighs potential gains (Baker, 1974; Bar-Tal, 1976; Schwartz, 1975). Coworkers, for example, can be highly motivated to reestablish justice for the victim but may be unwilling to risk their own job security for an uncertain outcome (Gundlach et al., 2003; Miceli & Near, 1984, 1985; Treviño, 1992; Utne & Kidd, 1980).

Taken together, our analysis suggests that third parties are most likely to react to perceptions of unfairness after considering the costs and benefits to themselves of taking such action. Their decision is also a function of the social, normative, and environmental context. In some cases, however, particularly when strong negative emotions are evoked, third parties can react without consideration for the costs and benefits. For instance, a "tipping-point" is most likely to exist when the third party perceives that the transgressor has intentionally violated moral norms and has abused his or her power, as though putting him or herself above moral codes of conduct (Folger & Skarlicki, 2004).

CONSEQUENCES OF THIRD PARTY ACTION

Third parties who decide to act on injustice might or might not be successful. A variety of social and organizational forces can constrain the consequences of their efforts. Structural tactics, such as isolating "squeaky wheels" from the rest of the organization, or removing activist third parties from the company (as is often the case for whistleblowers) can inhibit third parties' ability to garner support for their actions. Political tactics, such as attempting to negate the third party's credibility, or putting a positive spin on the information (e.g. to convince people why the (mis)treatment is necessary to achieve positive goals) can also constrain the effectiveness of a third party's efforts to correct an injustice.

However, other circumstances might be more favorable to the third party and have the potential to lead to widespread insurrection and/or change. For instance, Shapiro and Kulik (2004) note that third parties who use the Internet as a change agent, continually broadcasting an organization's misbehavior to new surfers, can keep a dispute alive long after the original victims have moved on. If a third party can effectively use the Internet or has access to the media or high profile individuals (e.g. recording artists, actors), he or she is likely to be more effective in garnering support against mistreatment than without these tools. Third parties who have access to a company's board of director members who control large blocks of shares or major lines of credit are also more likely they are to be effective in bringing about change. In successful corporate coup d'etats, defined as a seizure of power from inside rather than an assault from outside, a target CEO is forced from power by people enlisting the support of influential individuals. Zald and Berger (1978) concluded that the element of surprise can be critical to successful coups, otherwise the target (often with power advantages to thwart the coup) can mount a counter-attack. This finding is highly relevant to the study of employee mistreatment because in some cases the transgressor could be unaware of the extent of negative impact stemming from their behavior. Rather than providing constructive feedback directly to the "bully," third parties often use underground mechanisms (e.g. gossip) and erode the manager's fairness reputation (Folger & Skarlicki, 2004).

PROCESSES AND CONSEQUENCES RESULTING FROM THE THIRD PARTY'S FAILURE TO ACT

Third parties whose cost-benefit analysis is negative are unlikely to take action to help a victim. These third parties are also likely to experience cognitive dissonance (Festinger, 1954) as a result of their failure to act. As shown by our feedback loop in Fig. 1, these third parties may have already concluded that the actions of the organization or its agents were unfair. A failure to act on the injustice can lead the third party to question his or her own morality ("wouldn't an ethical person do something about this?"). As a result, some post-decision justification (Staw, 1980) might be necessary. Third parties who decide not to act can reconsider their assessment of injustice.

They might, for example, conclude that the harm done to the victim wasn't really so bad (denial of injury) or decide that the victim brought it on himself/herself (denial of victim) (Ashforth & Anand, 2003). Third parties can also resolve the dissonance by construing the victim as the kind of undesirable person who deserves to suffer (Lerner, 1981). They might also decide that the victim's predicament is

too large for them to make a difference. These rationalizing processes help the third party to maintain a positive self-image (Ashforth & Anand, 2003). These cognitive activities can also be accompanied by visible behaviors – behaviors that are decidedly unsympathetic to the victim's plight, including publicly blaming the victim for his or her outcomes, or distancing themselves from the victim, and perhaps even realigning themselves with the transgressor (Batson et al., 1987; Brockner & Greenberg, 1990; Hoffman, 1989; Stotland, 1969).

A third party's failure to act has implications for his or her future behavior. Having recalibrated his or her assessment of unfair treatment in this particular case, the third party's future assessment of similar treatment could now be constrained. People generally like to appear consistent, and therefore the next time the third party observes mistreatment that is similar to what happened in this specific incident, the third party's reactions will reflect his or her past behavior. Ashforth and Kreiner (2002) described the parallel processes of habituation and desensitization: In habituation, repeated exposure to the same stimulus progressively weakens reactions to the same stimulus. Therefore, third parties become less motivated to respond to later instances of the *same* wrongdoing that they failed to address at an earlier point. In desensitization, exposure to different stimuli of increasing aversiveness weakens reactions to the stimuli. Having failed to respond to an initial instance of wrongdoing, the third party has shifted his or her standard of acceptable behavior. This makes it more likely that the next instance, which is just a little worse than the previous one, can be seen as acceptable. Eventually, the third party can accept even severe mistreatment of victims that he or she might have found intolerable at an earlier point. Thus, the third party can become inured to unjust treatment and no longer be able to respond emotionally or behaviorally to a victim's negative experience.

This increased tolerance can have spillover effects for individuals in the third party's social network. Lamertz (2002) found that the fairness judgments of closely related peers were highly correlated, suggesting that fairness judgments are susceptible to peer influence. People who interact regularly seem to converge on similar justice norms. These norms, in turn, drive behavior. Even people who do not personally subscribe to the norms will act in ways consistent with local norms in order to avoid being sanctioned by their social group (Leung & Tong, 2003; Schwartz & Howard, 1982). For example, Ashforth and Anand (2003) explained that members of a corrupt organization will induce newcomers to engage in small acts of corruption that *seem* relatively harmless and volitional – but are simultaneously visible, explicit, and irrevocable. This socialization process produces a ripple effect in the organization as newcomers are now motivated to rationalize their own behavior. As a result, a third party's failure to act on a victim's mistreatment can have far-ranging effects on how other

individuals in the third party's social network react to similar mistreatment in the future.

If the third party is a member of the victim's organization, the third party's failure to act can contribute to the development of an organizational climate that tolerates mistreatment (Leung & Tong, 2003). Organizational climate has been defined as the shared perceptions of organizational policies, practices, and procedures, both formal and informal (Reichers & Schneider, 1990). There are many specific types of climates that operate within organizations, including an ethical climate (Victor & Cullen, 1987, 1988) and a justice climate (Colquitt, Noe & Jackson, 2002; Naumann & Bennett, 2000). While the organizational sciences have defined an organization's ethical climate broadly as the shared perceptions of what is ethical and unethical behavior, and how unethical behavior should be handled in the organization, justice climate has been more narrowly defined as a workgroup's aggregate perception of how the group is treated by the organization. This issue is important because an organization's ethical climate is both derived from, and is a driver of, individual behavior. The ethical behavior of individuals aggregate to create an ethical climate (Ashforth & Anand, 2003; Carlson & Kacmar, 1997), and the ethical climate of an organization then significantly influences the ethical behavior of the employees (Treviño, Butterfield & McCabe, 1998). Ashkanasy, Falkus and Callan (2000), for example, found that the propensity to make use of a formal ethical code in one's organization was predicted by the perception that others in the organization were using those codes. A third party's failure to respond to a victim's mistreatment can initiate a self-perpetuating cycle: third parties who are passive in response to organizational mistreatment can contribute to an organizational climate in which mistreatment is tolerated, and that climate can make it increasingly unlikely that third parties will come forward in the future. In this way, unjust behaviors become institutionalized in the organization's policies and practices; organizational members enact these behaviors without considering their propriety (Ashforth & Anand, 2003).

CONCLUSIONS

Our review of the literature suggests that the victim and third party perspectives share some common elements. Both the victim and the third party are likely to assess organizational situations in terms of distributive, procedural, and interpersonal justice. Both the victim and third party are likely to consider three questions as part of their assessment: What *would* the outcomes have been like, had events unfolded differently? *Could* an agent have acted differently? *Should* the agent have acted differently? However, our analysis also suggests

that a third party perspective is not simply a weaker version of the first person perspective.

First, as we describe in our model, attributions of blame are an important aspect of fairness perceptions. When assigning blame, third parties are more likely than victims to consider the broader social context and the behavior of other parties. Whereas victims are likely to base their fairness assessments directly on their own outcomes, for third parties, the victim is another actor in the events that have transpired. Consequently, third parties have the opportunity to assess both the organizational agent's and the victim's own responsibility for the (mis)treatment. As a result, the third party is more likely to blame the victim for the mistreatment than the victim will be to blame him or herself.

Second, whereas most individuals tend to demonstrate a sense of entitlement (that they are deserving of fair treatment), they do not always deem others to be as equally deserving. Third parties can be more or less concerned about injustices done to victims due to factors such as their own personal vulnerability, scope of justice, and group membership.

Third, whereas victims have firsthand experience as a basis for judgment, third parties often base their judgment on others' interpretations (e.g. stories told by the victim or a news media reporter). Victims rely more on their experience than social information in making their judgments (Lind et al., 1998). Third parties, in contrast, depend on and are influenced by other individuals' impressions to fill in the gaps (DeGoey, 2000). As a result, the third party's knowledge of events can be biased, distorted, or incomplete. Thus, third parties are likely to be more susceptible than victims to social influence.

Fourth, victims' reactions have usually been explained by self-interest or identity motives, but these justice theories are not likely to fully explain third parties' reactions to mistreatment. Rather than solely resulting from a setback to personal self-interest, third parties' reactions can also be rooted in individuals' sense of principled moral obligations. By definition, victims of unfair treatment experience negative outcomes. Therefore, while victims can care about the transgressor's moral obligations, self-interest concerns cannot be ruled out. In contrast, a third party's lack of self-interest can make him or her a more credible change agent.

Fifth, and related to the point above, whereas victims' retaliatory efforts to "push back against the bully" can be constrained by fears of counter-retaliation by the transgressor, some third parties (i.e. those who are outside the organization) are less vulnerable to these organizational forces and are thus freer than the victim to react to mistreatment.

Finally, third parties can have a more protracted impact on organizations than do victims. As we pointed out in the introduction to this chapter, for every organizational mistreatment, there are more third parties than there are victims.

Third parties' responses to mistreatment can have a significant cascading effect by establishing justice norms and ethical climates in organizations.

Research Opportunities and Challenges

The study of the third party's perspective of justice offers a number of intriguing opportunities to organizational researchers, along with some challenges. Most importantly, our review suggests that there is an extensive research agenda available to researchers interested in justice in organizational settings. In developing our model, we drew on a large range of literatures including cognitive, clinical, and social psychology. The diversity of the third party literatures underscores the ubiquity and importance of third parties in social settings. Our model, while based solidly on empirical findings, remains largely untested in the workplace context. For instance, some of the more intriguing third party perspective studies, such as those finding that a third party is willing to incur costs to punish a transgressor (Kahneman et al., 1986; Turillo et al., 2002), have occurred in the laboratory. Those experiments provide a basis for understanding what third parties *are capable of doing*, but without the context of those factors discussed in our model, they fail to inform us as to what individuals *actually will do* in the workplace, leaving a significant gap in our theorizing and research. Further, our review highlights the dearth of research directly comparing responses of victims and third parties in the same organizational situation.

Opportunity #1: More focus on cognitive and social information processing. Our literature review emphasizes the importance of information processing in understanding how a third party assesses negative impact, assigns attributions of responsibility, and decides whether or not to act on perceived mistreatment. Accordingly, our review identifies several areas in which cognitive and social psychology could further enhance our understanding of organizational justice. For example, Mikula (1987) concluded that whereas victims' reactions to mistreatment tended to be highly emotionally charged and action-related, third parties' responses tended to be highly cognitive and reflective. This dichotomy is less evident in recent research suggesting that third parties sometimes perceive organizational justice as a moral imperative and respond to organizational mistreatment with intense emotions (Epstein et al., 1992; Folger, 2001). Thus, we propose that the psychological literature integrating emotional and cognitive processing systems is likely to provide a fruitful avenue for studying the third party perspective.

Concepts from behavioral decision theory might be helpful in distinguishing reactions of victims and third parties. Kahneman and Tversky (1982) suggest that assessments of negative impact depend on how the outcome is framed: outcomes

framed as a loss are rated more unfavorably than the same outcomes framed as a gain. Brockner, Weisenfeld and Martin (1995) found that the decision frame used to describe a layoff (some employees *lost* their jobs vs. some employees *kept* their jobs) interacted with procedural justice to predict third parties' (layoff survivors) trust and support of an organization. When procedural justice was low, third parties reacted more favorably toward the organization if the layoff was described using the gain frame than if the layoff was described using the loss frame. But when procedural justice was high, decision frame had no effect on third parties' reactions. Their study shows that framing employee treatment as gains vs. losses can influence third parties' fairness judgments. Third parties are particularly susceptible to these processes because they make inferences about other individuals' outcomes based on informal social communication and mass media experiences – information that has already been interpreted and framed by its source.

Stereotyping and other cognitive biases might also be usefully applied to the study of third parties' (un)fairness responses. Research on stereotype bias has shown that individuals form impressions of people based on their membership in a group or particular social category (e.g. doctor, artist, skinhead) (Fiske, 1998). We already know that victims' fairness judgments differ depending on whether the organization's decision maker is from the same or different demographic group as their own (Kulik & Holbrook, 2000). Research is also beginning to show that group membership influences third party judgments (e.g. Davidson & Friedman, 1998). However, more research needs to focus on stereotype content and explore how third party beliefs about the characteristics of the principal actors (the victim and the organizational agent) influence their fairness judgments. Stereotypes are associated with various forms of prejudice and discrimination in which individuals are devalued because of their ethnic category or socioeconomic status. If either actor is devalued by the third party, empathy for that actor is unlikely to arise (Staub, 1989) and third parties' fairness judgments are likely to be influenced by their stereotypes.

Opportunity #2: More focus on social networks and social communication. Our literature review emphasized the importance of social information in understanding how a third party forms fairness judgments. Third parties rely on vicarious information and their assessments are likely to be heavily informed by the opinions of others (Lind et al., 1998; Umphress, Labianca, Brass, Kass & Scholten, 2003). Accordingly, there is an opportunity for network theory to inform third party justice research. As noted above, with the exception of coworkers who might directly observe an employee's treatment, most third parties base their justice judgments on social information. Third parties' fairness perceptions will likely be both affected by and impact on their social network. Knowing who talks to

whom and knowing characteristics of the network itself can provide important information regarding third parties' fairness perceptions and subsequent behavior. Network theory is also likely to be helpful in understanding how and why third parties participate in collective action such as boycotts and demonstrations.

Further, research on the third party's perspective could be enhanced by an understanding of how people talk about organizational events. Storytelling is a common mechanism by which people share and make sense of justice experiences (DeGoey, 2000; Martin, Feldman, Hatch & Sitkin, 1983). Stories provide an interpretive account of an event's sequences, and convey information in a concentrated and concrete manner. Narratives can have a significant impact on third party perceptions because while some information is included, other information is left out. Narratives also carry information regarding what a just world should look like. Given our emphasis on the role of alternative imagined states on individuals' fairness perceptions (Folger & Cropanzano, 1998), our understanding of third parties' justice reactions would benefit from research on justice narratives (i.e. how people talk about their justice experiences) in that process. Moreover, an interesting line of research would be to explore how third parties decide what's fair when faced with contradictory versions of an event from different sources. Managers are frequently advised to consider a variety of credibility cues while conducting workplace investigations (Avitabile & Kleiner, 2003). For example, vague or sketchy information that cannot be verified by others can reflect negatively on a source's credibility. A person's inability to recall or corroborate important details can indicate bias in the account. Hostile or defensive body language can make a third party skeptical about a source's account. Policy-capturing studies might be an effective method for discovering which cues are most influential in determining a manager's assessment of source credibility.

Opportunity #3: Multi-level research. Our analysis highlights that third parties' perceptions of fairness and their tendency to react are impacted significantly by contextual variables, including work group (e.g. other third parties' perceptions) and organizational level (e.g. culture and climate) processes. Empirical testing of how these different levels interact with one another is likely to make a significant contribution to understanding third parties' reactions to mistreatment.

While studying the third party perspective is likely to be rewarding both for the individual researcher and for the broader field of organizational justice, some potential challenges exist associated with access and process.

Challenge #1: Gaining access to third parties. The study of third parties can be fruitfully conducted in laboratory settings. The laboratory permits the researcher to control the information presented to participants, and most participants can readily adopt an observer's perspective. Studying third parties in real world and naturalistic settings, however, can be more difficult. One of the challenges is simply

finding third parties associated with a particular organizational event or incident. For instance, when a layoff occurs, we know who the victims are. But if that layoff is announced on the evening news, there's no clear way of knowing who heard about it and who did not. Therefore, it can be difficult to assemble matched samples of victims and third parties to test comparative research hypotheses.

Challenge #2: Distinguishing the third party from the victim. In reality, individuals can shift back and forth between the third party and victim roles. Consider the following example: An employee joins an organization and learns about a manager's reputation for fair treatment from coworkers. Soon afterward, the employee directly experiences the manager's treatment (either fair or unfair). How does the initial third party impression affect his or her subsequent victim perceptions? Jones and Skarlicki (in press) found that a manager's reputation (information initially received as a third party) significantly skewed victim's perceptions toward the initial impression. Thus, justice models may need to consider that individuals' impressions can change as they switch roles from the third party to the victim and vice versa.

Challenge #3: Untangling the dynamics over time. Third parties can be continually receiving and processing new information. They might initially sympathize with a victim, but later shift to an unsympathetic response. For example, third parties might grow frustrated with an initially sympathetic victim if he or she fails to respond appropriately within a reasonable amount of time. Previous research (e.g. Homans, 1961) suggests that people's perception of unfairness doesn't easily dissipate over time, although it can change in scope and intensity. Research on the victim's perspective suggests that individuals can respond to unfairness in many ways including retaliating or somehow punishing the transgressor (Skarlicki & Folger, 1997), forgiving the transgressor (Bies & Tripp, 1996), reconsidering their attributions (Lerner, 1980), or ruminating over unfairness for years (Folger, 1987). Despite the likelihood that third parties' responses can change over time, the temporal and dynamic nature of fairness perceptions has received limited attention in justice research.

Management Implications

To the degree that organizations are interested in minimizing the negative responses of third parties to employee treatment, this chapter provides some practical suggestions for managers. Studies show that mistreated victims can badmouth the organization and its leaders to third parties (e.g. Shapiro & Kulik, 2004; Skarlicki & Folger, 1997). Perhaps the surest way to guarantee that third parties will not react to mistreatment is to avoid mistreatment in the first place. Organizations that train

supervisors to be fair are likely to reduce adverse third party reactions. Training supervisors in principles of justice has been shown to increase organizational members' fairness perceptions (Skarlicki & Latham, 1996). Moreover, because some managers might not know that their behavior is being viewed as bullying, organizations should foster mechanisms that provide feedback to the culprit so that he or she could take steps to self-correct.

However, third party reactions are based on perceptions, and even fair management practices might not always look fair to outsiders (Greenberg, 1990). Therefore, managers may need to attend to the perceptions of third parties even in the absence of any intention to mistreat employees. Organizations are particularly susceptible to socially augmented injustice responses when people who think they have been unfairly treated share their experiences (Folger, Rosenfeld, Grove & Corkan, 1979; Gamson, 1968; Greenberg & Folger, 1983; Lind et al., 1998). Because third parties often learn of the mistreatment second-hand, and because of the ease in which actions and language can be misinterpreted (Lengel & Daft, 1988; Rosnow, 1980), we propose that effective organizational communication processes are highly critical. The following recommendations illustrate what we mean. First, managers could ensure that they communicate to third parties timely and appropriate information about the nature of employee treatment and the reasons why it occurred. Second, third parties are particularly concerned about the mistreatment of employees with whom they feel empathy, identification, or attachment. Supervisors could, for example, provide layoff survivors with an explanation of who was laid off, with an emphasis on the differences between the survivors and those people who did not survive the layoff. Rather than proposing that managers need not concern themselves with mistreatment when third parties do not identify with the victim, management should be especially careful when third parties do identify with the victim. Third, managers could influence the third parties' decision frame. In a layoff situation, for example, managers could emphasize that jobs were kept vs. jobs were lost.

In summary, to date, research has emphasized the perspective of the victim (the recipient of negative organizational outcomes). The third party's perspective has received relatively little research attention. In this chapter we developed a model describing how third parties make fairness judgments about an employee's treatment by an organization or an organizational agent. Our model also identifies factors that can predict how third parties decide whether to act on perceived unfairness. Our goal is to provide researchers a systematic framework for considering third party's perspective. While many of our propositions await testing in the workplace, we hope this model acts as a stimulus to encourage and guide future research.

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SUBGROUP DYNAMICS IN INTERNATIONALLY DISTRIBUTED TEAMS: ETHNOCENTRISM OR CROSS-NATIONAL LEARNING?

Catherine Durnell Cramton and Pamela J. Hinds

ABSTRACT

Internationally distributed teams are an ideal context in which to understand the formation, dynamics, and effects of subgroups within work teams. Although the members are interdependent, these teams frequently are composed of two or more collocated subgroups. Researchers have observed a tendency for tensions in such teams to coalesce – and escalate – between these subgroups. In this paper, we identify factors likely to promote and mitigate fracturing between subgroups and consider the impact of subgroup formation on task effectiveness. We build on Lau and Murnighan's (1998) conceptualization of "faultlines," which suggests that alignment of team members' demographic attributes increases the likelihood of subgroup dynamics. We extend this work into the domain of internationally distributed teams by showing how differences in location also can heighten subgroup dynamics. The most likely consequence is ethnocentrism, although we show that intergroup learning also is possible. Our analysis highlights conditions under which teams that encounter subgroup differences will be able to overcome the tendency toward ethnocentrism. Teams with an attitude

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of mutual positive distinctiveness, *we argue, will more likely learn from subgroup differences, becoming more sophisticated in their understanding of cross-national relationships and competent in their management of them.*

Throughout history, people have sought to achieve economic and social goods through international collaborations. Although such collaborations were transacted historically by travel and post (King & Frost, 2002), recent advances in telecommunications and information technologies have offered new means by which globe-spanning work can be carried out. Businesses assemble teams comprised of members from multiple countries as a means of establishing a presence in distant markets, securing essential but scarce expertise, enabling localization of products, and tapping into low cost pools of expertise in developing countries. In a recent study, respondent firms reported that 63% of their new product development teams would be geographically distributed within the next few years, with 22% expected to be globally distributed (McDonough, Kahn & Barczak, 2001). In this paper, we examine subgroup dynamics in such internationally distributed teams, and their impact on team effectiveness and potential to foster cross-national learning.

Subgroup dynamics within work teams, particularly internationally distributed work teams, is an area of research that remains largely unexplored. There is, however, increasing evidence that internationally distributed teams are prone to subgroup dynamics characterized by an us-verses-them attitude across sites (Armstrong & Cole, 1995; Cramton, 2001; Hinds & Bailey, 2003). Research over the last decade has begun to explore the ramifications of distributed work arrangements on the dynamics of the teams involved (see Gibson & Cohen, 2003; Hinds & Kiesler, 2002). Although some of this work has alluded to subgroups coalescing based on geographic location, little work has yet considered the dynamics and effects of within-team subgroups on distributed, particularly internationally distributed, teams.

Recent theoretical work offers a new perspective on subgroup phenomena in teams. Lau and Murnighan (1998) suggest that, contrary to previous work, it is not the total amount of diversity in a group that threatens social integration. Rather, it is the extent to which key attributes of members are correlated rather than cutting across membership. They call this alignment of attributes *faultlines* and propose that the presence of faultlines increases the likelihood of subgroup formation and conflict. We build on and extend Lau and Murnighan's work, inspired by its implications for internationally distributed teams that carry out interdependent tasks despite members being located in two or more countries. Our goals for this paper are threefold: (1) to develop a theoretical framework for understanding the

factors that influence the subgroup dynamics of internationally distributed teams; (2) to model the relationship between subgroup dynamics and team effectiveness in internationally distributed teams; and (3) to extend existing theory on subgroup dynamics in work teams.

Although a substantial amount of research has been conducted on subgroup dynamics, little has focused on enduring subgroups within work teams. One exception to this is research on cross-functional teams, which explores how the differing functional or professional identities of members drive ingroup/outgroup dynamics within the team (e.g. Northcraft, Polzer, Neale & Kramer, 1995). Like the work on cross-functional teams, our work builds on the broader research literature concerning the formation and dynamics of subgroups, which includes work on social identity, intergroup relations, and coalition formation. Social identity theory helps us to understand the ways people use social categorizations as cognitive tools to understand themselves and others in the social environment (for example see Tajfel & Turner, 1979). The closely related intergroup relations literature examines how people interact with one another in terms of their group identifications (for example see Alderfer, 1987; Sherif, 1966). Although more

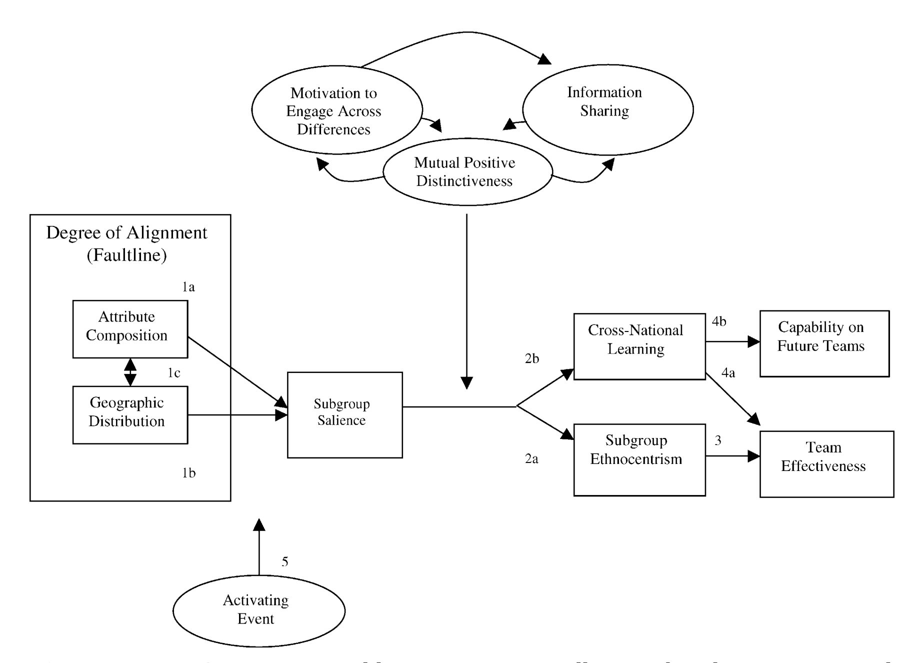


Fig. 1. Factors Constituting Faultlines in Internationally Distributed Teams, Potential Consequences, and Moderators Affecting These Dynamics.

distant from our focus, the coalition formation literature highlights how subgroups form in order to control resources and decisions (for example see Hill, 1973; Lawler & Youngs, 1975; Mannix, 1993). We extend this literature by developing a model for how subgroup salience is triggered within teams, particularly internationally distributed teams, and the effect of subgroup salience on team performance.

To understand subgroup dynamics in internationally distributed teams, we consider how geographic distribution of team members increases the salience of subgroups, and how the alignment of compositional diversity and geographic distribution may make tension between subgroups likely. We posit that ethnocentrism – a bias toward one's own subgroup and against other subgroups – along cultural and geographic faultlines is a natural but detrimental tendency in internationally distributed work and we describe the likely impact on team effectiveness. We also suggest an alternative outcome – cross-national team learning – and a set of moderating factors that we think determine whether subgroup salience results in ethnocentrism or learning. The next section articulates our model of these processes (see Fig. 1).

FAULTLINES AND SUBGROUP SALIENCE

Compositional Diversity and Group Faultlines

Compositional diversity in organizational work groups stems from differences in group members' demographic attributes (e.g. ethnicity, age and sex), or other characteristics and affiliations (e.g. education, tenure and hierarchical position). Such differences are associated with people having different worldviews, values, beliefs, goal priorities and norms, which affect how they define situations, see issues, and interact with others (see Alderfer, 1987; Ely & Thomas, 2001). In addition, individuals often are accorded different amounts of status and power in organizations and society on the basis of their demographic attributes and other affiliations (Alderfer, 1987; Ely & Thomas, 2001). Accordingly, members of a compositionally diverse organizational work group may have differing organizational and societal political interests and ideologies. As a result, diverse groups may be more creative – or experience more conflict – depending on the nature of their differences, how well they manage them, and forces in the larger environment in which they are embedded (Alderfer, 1987; Jehn, 1995; Pelled, Eisenhardt & Xin, 1999).

According to Lau and Murnighan (1998), the presence of faultlines in groups exacerbates the impact of compositional diversity, increasing the likelihood that

members will perceive subgroups to exist and experience subgroup conflict. A faultline is present if key attributes of members are correlated rather than cutting across group membership. For example, a group composed of equal numbers of engineers and designers and equal numbers of men and women would have stronger faultlines if all the engineers happened to be men and all the designers happened to be women than if there were equal numbers of engineers and designers of each sex. Lau and Murnighan (1998, p. 327) describe faultlines as "an alignment of several characteristics that heightens the possibility of internal subgroup dynamics." They are analogous to faultlines in the earth's crust: They describe the pathways along which a group would most likely split into subgroups and the vulnerability of the group to this occurrence. The notion is quite similar to Brewer and Campbell's (1976) description of "convergent boundaries."

Faultlines, by definition, reflect the potential of a team to fracture into subgroups. According to Lau and Murnighan (1998), they lie dormant in a group until activated by some event. When faultlines are activated, Lau and Murnighan describe consequences that include subgroup awareness, formation, polarization and conflict, but they are not explicit about the sequence of events. Building on their work, we offer specification. We argue that the existence in a group of multiple demographic attributes or other affiliations that are aligned increases the likelihood that these subgroups will become noticeable to group members. In other words, we propose that the first consequence of the activation of faultlines is subgroup salience.

Proposition 1a. The presence in work teams of multiple demographic attributions or other affiliations that are aligned increases the likelihood of subgroup salience.

The Impact of Geographic Distribution of Team Members

We argue that geographic distribution contributes to faultlines and to subgroup salience within geographically distributed teams. Because of the rise in the use of geographically distributed work groups, social science research has taken a renewed interest in the impact of proximity and distance on work teams (see Hinds & Kiesler, 2002). This reflects the availability of new telecommunication and information technologies that have made it increasingly feasible for work teams to carry out interdependent tasks despite members being physically distributed across locations, sometimes many time zones apart.

When team members work from different locales, they are likely to experience different exogenous events, physical settings, constraints and practices (Cramton,

2001, 2002; Kiesler & Cummings, 2002). Exogenous events include things such as local economic conditions or crises, for example a public transportation strike. Different physical settings and constraints might encompass differences in the features of buildings and equipment, distances, and routine traffic conditions. Practices such as holiday observances, shop hours, and working hours also vary from location to location. Whereas demographic differences can result in individuals seeing issues differently, defining situations differently, and having different political interests and ideologies or beliefs, differences in physical context or locale can result in members having different information, assumptions, preferences and constraints. Because of the absence of contextual information, group members are likely to notice, but not fully understand, patterns of preferences and behavior within their ranks that correlate with location. For example, group members based at a location with heavy traffic, high gasoline prices and a good public transportation system may favor working hours that dovetail with the public transportation schedule and resist trips to the office during odd hours. Their partners in another location may notice this pattern, but not grasp the reason for it. As a result, attributions about distant team members' behaviors may be inaccurate or harsh and local identifications strengthened. Thus, a product development team that is split between Germany and India is likely to perceive two subgroups – one in Germany and one in India.

Proposition 1b. Geographic distribution of work team members results in the salience of subgroups by location.

We have argued that differences in demographic attributes and other affiliations tend to result in people having different worldviews, values, beliefs, goal priorities and behavioral norms, and being accorded different amounts of power and status. This leads them to define situations differently, see issues differently, and have different ideologies and political interests. We also have argued that working from different locations increases the likelihood that people will experience different exogenous events, physical settings, constraints and practices, resulting in their having different information, assumptions, preferences and constraints. In other words, both personal attributes and physical location impact preferences and behavior, albeit generally different aspects of these. Therefore when physical dispersion of team members aligns with demographic attributes or other affiliations, the pattern of differences between subgroups is likely to be more pervasive and noticeable. For example, assume we have a product development team split between India and Germany working on a new hand-held computer. If all of the mechanical engineers are in Germany and all of the software engineers in India, subgroups would be more salient than if the two types of engineers

are distributed equally across sites. In other words, group faultlines will be strengthened and subgroup salience intensified.

Proposition 1c. When geographic distribution of work team members aligns with members' demographic attributes or other affiliations, subgroup salience by location is intensified.

POSITIVE AND NEGATIVE CONSEQUENCES OF SUBGROUP SALIENCE

The Most Likely Consequence: Ethnocentrism

The concept of ethnocentrism was introduced into social science by William Graham Sumner in 1906. Sumner described ethnocentrism as "the technical name for this view of things in which one's own group is the center of everything, and all others are scaled and rated with reference to it." He says, "Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders" (Sumner, 1906, pp. 12, 13). Ethnocentrism and the ingroup/outgroup distinctions that derive from it have both cognitive and emotional foundations. With regard to cognition, researchers across a wide range of perspectives and disciplines agree that ethnocentrism results in stereotypic images of the outgroup (see LeVine & Campbell's 1972 comprehensive review). This is accompanied by strong emotional attachment to the ingroup and hostile responses to the outgroup. Ethnocentrism has frequently been employed to understand clashes between large social groups such as ethnic or national groups (see LeVine & Campbell, 1972) and has been applied on occasion to small social or familial groups (see Brewer & Miller, 1996), however it has rarely been applied to the study of organizational groups. We submit that the powerful theoretical construct of ethnocentrism and its well developed research literature can be used effectively to understand internationally distributed teams and the subgroup dynamics that emerge in them.

Considerable research evidence suggests that the mere recognition of subgroup differences tends to set in motion forces resulting in ethnocentrism. Social psychologists have incorporated the concept of ethnocentrism into social identity theory, suggesting that ethnocentrism results when people categorize themselves into emotionally significant groups (Brewer & Miller, 1996; Turner, 1985). Within-group differences are minimized and between-group differences are exaggerated (Brewer, 1986; Tajfel, 1982; Tajfel & Turner, 1986). According to Turner (1975), the process is driven by the desire for "positive distinctiveness," an enhanced

sense of worth that comes from seeing one's own group as distinctive from and better than a comparison group or outgroup. The exaggeration of differences and negative view of other groups relative to one's own places groups in a competitive and conflictual relationship with one another.

Although intergroup competition for resources and a history of hostility fuel the process (LeVine & Campbell, 1972), they do not appear to be necessary conditions, as illustrated by one of Sherif's studies (Sherif et al., 1961). As recounted by Tajfel (1982, p. 23), "As soon as the groups became aware of each other's existence, and before the competition between them was institutionalized, there was some evidence of competitive ingroup-outgroup attitudes." Accumulated evidence shows that "intergroup discrimination can be caused by minimal social categorization," (Tajfel, 1982, p. 23). Thus, merely being aware of the presence of subgroups is often adequate to trigger ingroup-outgroup dynamics. We argue that when subgroups become salient, ethnocentrism will likely result.

Proposition 2a. The presence of salient subgroups in a work team leads to subgroup ethnocentrism.

A Positive Alternative: Ethnorelativistic Learning

Although the natural tendency is for subgroup salience to lead to the creation of ethnocentric or ingroup-outgroup relationships, we propose that subgroup learning is an alternative outcome, depending on the conditions under which the subgroups are operating. To conceptualize subgroup learning in internationally distributed teams, we turn to the cross-cultural literature. This reflects our context of interest and is informative in a broad theoretical sense. Scholars of cross-cultural relationships have worked to identify alternatives to ethnocentrism and attempted to describe the process of cross-cultural learning and adaptation. The counterpoint to ethnocentrism is described as ethnorelativism (Bennett, 1986; Brislin, Landis & Brandt, 1983; Dinges, 1983; Hoopes, 1981). Ethnorelativistic thinking consists of taking the perspective of the other group and understanding the world, including one's own group, through the other group's eyes (Bennett, 1986; Bennett & Bennett, 2004). Ethnorelativistic behavior consists of adapting one's behavior to be appropriate in the other group's context – not just by following tips or rules but because it "feels right" in that context (Bennett, 1986; Bennett & Bennett, 2004). Thus, while ethnocentrism narrows and biases one's thinking and is associated with competitive and hostile behavior in relation to another group, ethnorelativism expands one's perspective and is associated with empathic behavior in relation

to the other group. Ethnocentrism is characterized by greater rigidity in relation to the other group while ethnorelativism is characterized by greater adaptability.

Because we are interested in both cultural differences and differences in physical location, we adapt this material concerning cross-*cultural* differences to conceptualize learning about cross-*national* differences. We argue that ethnorelativistic cross-national learning is an alternative to ethnocentrism in internationally distributed teams. By cross-national differences, we mean differences in both culture and locale (or physical context) encountered by members of internationally distributed teams. Because of our focus on work teams, we feel it is particularly important to broaden the notion of cultural differences between members to include differences in national situations and local practices that impact the ways in which work is done. Thus, by cross-national differences, we refer to behavior, constraints and values driven by either the cultures of origin of team members or the customs and situation of the country from which team members are working. For example, a person who grew up in Ethiopia might work from Holland as a member of an internationally distributed team. This person's behavior, values and constraints probably will be affected by both his or her natal culture and the local work situation and practices in Holland. We carefully specify *ethnorelativistic* cross-national learning to distinguish it from other kinds of learning. The focus of ethnorelativistic cross-national learning is a human intergroup relationship, and the behaviors are perspective-taking, empathy and adaptability.

Although little empirical work has examined cross-national or ethnorelativistic learning in work groups, there is some evidence that it is indeed important for group members to come to understand and respect their differences and develop practices that allow them to relate to each other across these differences. DiStefano and Maznevski (2000), for example, describe a multi-cultural consulting services team in Hong Kong that purposefully made their cultural differences explicit. By understanding team members' different interaction styles and perspectives, team members were able to interact more effectively and better leverage their respective skills. Similarly, Salk and Brannen (2000) found in a study of a German-Japanese joint venture that the most influential managers were those who learned about the local norms and adapted their decision making process accordingly. Later in this paper, we describe the conditions that we think facilitate the occurrence of cross-national learning as opposed to ethnocentrism.

Proposition 2b. Under certain conditions, the presence of salient subgroups in an international work team can lead to cross-national learning.

SUBGROUP SALIENCE AND TEAM EFFECTIVENESS

Impact of Subgroup Ethnocentrism on Team Effectiveness

We expect that subgroup ethnocentrism will have a negative effect on team performance. Ethnocentric groups are invested in seeing themselves positively, which usually means seeing other groups negatively. They define other groups by self-centered standards and accentuate differences between their own group and others. Their relationships with other groups typically come to be marked by competition and conflict. Thus, we can expect subgroup ethnocentrism to be accompanied by the withholding of information and cooperation from perceived outgroups and relational conflict, all of which have been associated with reduced team effectiveness (Cohen & Bailey, 1997).

Indeed, Kramer and Brewer (1984) report that subgroup differentiation interferes with cooperative group behavior. Armstrong and Cole (1995) and Cramton (2001) also describe how polarized subgroups in the distributed teams they studied withheld information from each other. Early and Mosakowski (2000) report that international teams with strong faultlines "showed many communication problems, relational conflict, and low levels of team identity" (2000, p. 45). They note that "a lack of cross-cultural empathy and understanding appeared to contribute to the dysfunctional activities" of two of the teams they observed (p. 36).

Proposition 3. Subgroup ethnocentrism is negatively associated with work team effectiveness.

Impact of Cross-National Learning on Team Effectiveness

By contrast, we propose that cross-national team learning and adaptation will have a positive effect on team effectiveness as teams harness their diverse skills and perspectives on the team's task and develop a sense of team efficacy.

In their study of three culturally diverse organizations, Ely and Thomas (2001) report that groups that use diversity as an opportunity for learning and adapting to others' perspectives subsequently have a higher sense of self-efficacy and better work group functioning. Salk and Brannen (2000) describe a successful management team composed of German and Japanese members in which significant differences in culturally preferred modes of decision-making are discovered and bridged. Members show "the volition to accept and adapt to local, emergent norms . . . rather than national subgroup based preferences" (Salk & Brannen, 2000, p. 200). Such bridging between cultures makes individual

differences a source of insight that can be leveraged in the creativity and performance of the team (see Ely & Thomas, 2001). We therefore propose that cross-national team learning will bring about better team performance.

Proposition 4a. Cross-national team learning is positively associated with work team effectiveness.

Impact of Cross-National Team Learning on Future Teams

Beyond the immediate impacts on organizational effectiveness, we consider the transfer of cross-national learning from international teams to attitudes and behaviors beyond the immediate team. We argue that members of internationally distributed teams may experience a second order effect that has consequences for their work on future teams. The *contact hypothesis* suggests that being exposed to people different from ourselves builds an appreciation for others' perspectives (Pettigrew, 1986). This suggests that as people create friendships, better understand the perspectives of colleagues in other countries, and become more competent in working across such differences, this capability will transfer to improved functioning on other internationally distributed teams.

There is some evidence that positive contact with members of an outgroup results in positive views of the entire outgroup (see Pettigrew, 1998). For example, Nesdale and Todd (1998) found that Asian and Australian students who had extensive contact with one another were more accepting and appreciative of cultural differences between the two groups than were students with little cross-cultural contact. In a meta-analysis, Pettigrew and Tropp (2003) conclude that reduced prejudice about an individual from an outgroup generally transfers to the entire outgroup. This suggests that when members of internationally distributed teams learn to appreciate one another's differences, they are likely to generalize these positive views to future teammates from the same cultures and locations.

A related line of research explores the acquisition of bicultural competence – the ability to develop and maintain competence in two cultures simultaneously (LaFromboise, Coleman & Gerton, 1993). Bicultural competence developed on one team, we argue, will likely transfer to future teams with membership from those cultures in which team members have developed competence. Extensive research has examined peoples' ability to adapt to prolonged exposure to two cultures, identifying the skills required and the personal costs of doing so (e.g. Berry, 1997, 1999; Berry, Kim, Power, Young & Bujaki, 1989; Rudmin, 2003). LaFromboise and her colleagues (LaFromboise et al., 1993) argue that there are five models of second-culture acquisition, one of which – alternation – is especially

likely to lead to bicultural competence. Alternation, they argue, may be the most adaptive and least stressful method of adjusting because it does not require the loss of one's original cultural identity. The alternation model assumes that people can understand and feel a sense of belonging to two different cultures and adapt their behavior to different cultural contexts as appropriate (LaFromboise et al., 1993). Sodowsky and Carey (1988), for example, describe how first-generation Asian Indians maintain their Indian cultural identity by wearing traditional clothes and eating Indian food at home, but express their American identity by speaking English and wearing Western clothes outside of the home.

On internationally distributed teams, members have the opportunity to develop an understanding of the cultural beliefs and values of their distant colleagues, develop positive attitudes about the culture at the distant site, build confidence in their ability to bridge cultures, improve their ability to communicate effectively with their distant colleagues, and develop stable social networks in their own country and at the distant site – all factors that promote bicultural competence (see LaFromboise et al., 1993). Team members who develop cultural competence in the culture at the distant site may be better prepared to work on future teams that are similarly distributed.

We anticipate that cross-national learning also will transfer beyond the nationalities and locations represented in the team. For example, when cross-national understanding develops in a team composed of Asians and Europeans, we predict that these team members also will be more functional on future global teams with members from Latin America. We predict this, in part, because we posit that bicultural competence will translate into increased multicultural competence. Although knowledge of the specific culture may not be present, team members may bring with them more cognitive flexibility and, perhaps, *cultural intelligence*. Cultural intelligence is "a person's capability to adapt effectively to new cultural contexts" (Earley, 2002, p. 274). Cognitive flexibility and cognitive strategies that allow a person to create an accurate map of the social setting are crucial aspects of cultural intelligence. We posit that these aspects of cultural intelligence can be strengthened through experiences on internationally distributed teams, particularly for those who develop bicultural competence. Although we know of no empirical evidence, we argue that bicultural competence may provide a foundation for cultural intelligence.

Research on the contact hypothesis also provides some support for the idea that cross-national learning will transfer to nationalities not represented in the immediate team. Pettigrew (1997, 1998), for example, reports that having outgroup friends is associated with more acceptance of minorities from all groups. In a meta-analysis, Pettigrew and Tropp (2003) conclude that, although weaker, this rarely considered form of generalization – from the immediate outgroup to other

groups – does operate. Accordingly, we posit a direct link between the cross-national understanding developed through work on internationally distributed teams and the cross-national understanding and competence that is evinced on future internationally distributed teams.

Proposition 4b. Cross-national learning is positively associated with team members' capability to work effectively on future internationally distributed teams.

MODERATING FACTORS

Activation of Group Faultlines

According to Lau and Murnighan (1998), group faultlines lie latent like faultlines in the earth's crust until activated by some event. For work groups, activating events may be task-related (Lau & Murnighan, 1998) or result from treatment, policies or external events that highlight social categories. Such events can elicit systematically different responses from members, depending on their demographic attributes, other affiliations, or geographic location. Subgroup interests, views and membership become salient to members of the subgroups and others.

When teams are charged, for example, with customizing a product for users in different countries, tensions between locations may become salient as members argue for features that reflect the preferences of local customers (see Grinter, Herbsleb & Perry, 1999). Similarly, an aggressive work schedule can increase the salience of different local working hours, holidays, and vacations. Differential treatment of groups, and policies that pit one group against another, also can trigger subgroup salience (see Brewer & Miller, 1984). "Affirmative action topics may activate racial divisions, retirement and pension issues may activate faultlines based on age, the potential presence of a glass ceiling may generate sex-related antipathies, resource allocation decisions may lead to group fragmentation based on members' occupational roles, and a desire for serious organizational change may pit young liberals against older conservatives," Lau and Murnighan write (1998, p. 328). External events such as international incidents also can activate faultlines. For example, when the United States decided to wage war in Iraq in 2003, national identity likely became more salient to those from the United States as well as to those from countries actively opposing U.S. actions in Iraq. Therefore, with others, we argue that latent group faultlines are activated when an event occurs or issue arises that evokes systematically different responses from members based on demographic differences or other affiliations, and we add, differences in location.

Proposition 5. Latent faultlines in a work team become salient to members with the occurrence of an activating event.

Moderating the Effect of Subgroup Salience

As we have shown, intergroup theory predicts that subgroup salience will lead to subgroup ethnocentrism. Merely becoming aware of the presence of subgroups is adequate to trigger ingroup-outgroup dynamics (Tajfel, 1982). We also have proposed, however, that subgroup salience can result in cross-national learning. In this section, we describe moderating factors that determine whether ethnocentrism or cross-national learning will result.

After decades of research, scholars agree that ethnocentrism is reduced under conditions of contact between groups of equal status that are pursuing common goals with institutional or social support (Allport, 1954/1979; Hewstone & Brown, 1986; Pettigrew, 1998). A host of additional conditions have been proposed and tested over the years (see reviews by Amir, 1969, 1976; Cook, 1985; Hewstone & Brown, 1986; Pettigrew, 1998), including stereotype disconfirmation (Cook, 1978); initially moderate views (Ben-Ari & Amir, 1986); common language, voluntary contact and a prosperous economy (Wagner & Machleit, 1986). In a comprehensive review, however, Pettigrew (1998) concludes that these are facilitating but not essential conditions.

For the current purpose, we are interested not only in reducing ethnocentrism but motivating groups to learn from and about each other. Conditions that facilitate intergroup *learning* have not received much attention in the intergroup relations literature. In that literature, Brewer and Miller (1996) describe three approaches to reducing ethnocentrism through contact between groups: decategorization, recategorization and subcategorization. We observe, however, that decategorization and recategorization cannot promote cross group learning because they reduce the salience of intergroup differences. Subcategorization, in contrast, uses subgroup salience as an opportunity for learning.

Decategorization focuses people on individuating information about outgroup members (Brewer & Miller, 1984; Miller et al., 1985). For example, a decategorization approach would encourage the development of a personal friendship with a member of an outgroup. The theory is that the salience of the friend's group membership will fade in the face of a growing amount of interpersonal information, and that ethnocentric bias toward that person will recede as a result. One problem, however, is that positive views of the friend may not carry over to the outgroup because the friend is seen as an atypical member of his or her group or because the friend's group membership is no longer salient (see Brewer & Miller, 1996).

While decategorization deemphasizes social categories, recategorization seeks to replace subgroup category distinctions with a new inclusive group identity (e.g. Gaertner et al., 1989, 1990, 1993). For example, two companies engaged in a merger might go to considerable effort and expense to promote a new company identity that supercedes employees' feelings of identification with their own pre-merger company. Although this effort may reduce bias against and hostility toward employees from the other company, it may not motivate them to examine and learn from what each pre-merger company did well.

Thus, while there is evidence that the decategorization and recategorization approaches can reduce ethnocentrism (for a comprehensive review, see Brewer & Gaertner, 2003), neither provide subgroups the opportunity to learn from or about each other. By contrast, Hewstone and Brown's (1986) subcategorization approach seeks to maintain the salience of subgroup differences, but in a cooperative rather than competitive climate. Subgroups are encouraged to engage in mutual differentiation: to recognize and value their differences in a cooperative spirit. We propose that this approach not only reduces ethnocentrism but leads to intergroup learning. In order for learning to occur, we argue that a group must have an attitude of *mutual positive distinctiveness*. As discussed in detail in the following section, we define it as an attitude held by a work group that reflects the extent to which the group respects differences among members in views, values, competencies, and practices and sees these differences as a potential source of advantage for the group as a whole. An attitude of mutual positive distinctiveness, we argue, moderates the tendency for subgroup salience to result in ethnocentrism, instead promoting cross-group learning.

We describe the factors that we think foster an attitude of mutual positive distinctiveness in a work group (see Fig. 2). We argue that the conditions identified by Allport (1954/1979) – cooperative interdependence and equal status between groups, and institutional support for intergroup contact – motivate subgroups to engage across their differences rather than maintaining ethnocentric distance. We also articulate two new conditions that ensure that the information required for cross-national learning is shared: inclusive communication and sharing of context. We propose that motivation to engage across differences and information sharing between subgroups interact with the degree to which a group has an attitude of mutual positive distinctiveness to moderate the relationship between subgroup salience and its outcomes – ethnocentrism or cross-national learning.

Mutual Positive Distinctiveness

Positive distinctiveness is a fundamental tenet of the social identity approach to intergroup relations. As originally articulated by Turner (1975), individuals gain self-esteem when they compare a social group to which they belong to

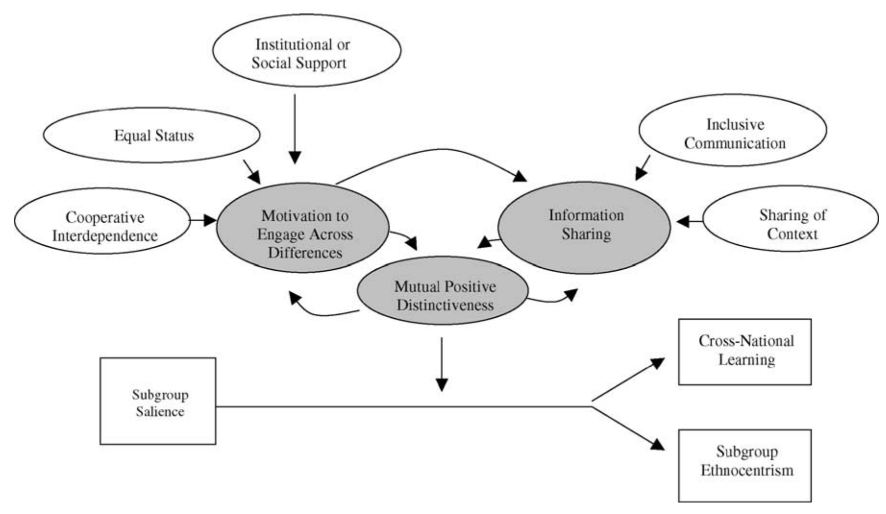


Fig. 2. Detailed View of the Relationship Between Mutual Positive Distinctiveness and its Contributing Factors.

another social group and judge their own group to be superior. Generally, this mechanism has assumed reciprocal *negative* attitudes toward the group that is the object of comparison. However, Hewstone and Brown (1986) and Brewer (1999) argue that reciprocal negativity toward an outgroup, although common, is not necessary for a member of an ingroup to experience positive distinctiveness. Under certain conditions, people can recognize the positive qualities of their own group as well as other groups, constituting what we call an attitude of *mutual positive distinctiveness*. As Brewer (1999) puts it, “Outgroups can be viewed with indifference, sympathy, even admiration, as long as intergroup distinctiveness is maintained” (p. 434). Work groups that have an attitude of mutual positive distinctiveness recognize and value both similarities and differences in the approaches, views, and competencies of members as they contribute to the achievement of common goals. When subgroups become salient within a work group, we argue, an attitude of mutual positive distinctiveness will lead team members to value and use subgroup differences, thus increasing the likelihood of a learning outcome.

In the work group literature, Ely and Thomas’s (2001) study of diversity in three professional services firms elucidates what they call an integration-and-learning diversity perspective, which is quite similar to our concept of mutual positive distinctiveness. A diversity perspective is a group’s orientation toward diversity. It moderates the impact of cultural diversity on work

group functioning by influencing how people value their own and other cultural groups and express and manage tensions related to diversity. The integration-and-learning diversity perspective views cultural differences as a source of distinctive "life experiences, knowledge and insights, which can inform alternative views about work and how best to accomplish it" (Ely & Thomas, 2001, p. 265). Work groups in Ely and Thomas's (2001) study that had an integration-and-learning perspective were highly functioning. The valuing and use of differences affords opportunities for cross-cultural learning, which enhances a group's work, they conclude. Thus, in both intergroup theory and in the work team literature, there is evidence for the moderating impact of mutual positive distinctiveness on the relationship between subgroup salience and cross-group learning.

Although there appears to be some evidence that mutual positive distinctiveness is required in order for cross-subgroup learning to occur, the conditions that foster mutual positive distinctiveness remain largely unexplored. We propose that motivation to engage across differences and cross-group information sharing are the two essential conditions necessary to engage the mechanism of mutual positive distinctiveness which will, in turn, enable cross-national learning in internationally distributed work teams.

Motivation to Engage Across Differences

According to the literature concerning the contact hypothesis, mere contact between an ingroup and outgroup is not sufficient to reduce ethnocentrism. Contact must occur under appropriate conditions. Decades of research have produced consensus on these conditions: cooperative interdependence toward achievement of a common goal, equal status between the groups, and social or institutional support for positive intergroup contact (Pettigrew, 1998). However, we found little discussion of the mechanism through which these conditions reduce ethnocentrism. Pettigrew (1998) proposes that they contribute to groups' motivation to learn about and engage across their differences. Brewer and Miller (1984) suggest that groups benefit from contact under conditions that encourage them to open themselves to information about each other and integrate that information into their understanding of each other. Consistent with these views and the evidence described below, we conclude that what these conditions do is motivate groups to engage with each other despite their differences.

Cooperative interdependence. According to Allport (1954/1979), striving for a common goal in a cooperative setting changes attitudes and engenders solidarity across groups. Allport articulated two conditions – having a common goal and undertaking cooperative activity – that have more recently been combined by others into a single condition referred to as cooperative interdependence (see

Brewer & Miller, 1984). Allport finds evidence of the reduction of ethnocentric bias in studies of mixed race Army platoons that were interdependent in pursuit of a common goal. Pettigrew (1971, 1998) reviews studies of athletic teams and school groups, including Sherif et al.'s (1961) Robber's Cave field experiment and agrees with Allport: When people must work together to achieve a common goal, they are motivated to overcome or leverage the differences represented in the group. On geographically distributed teams, high levels of interdependence can be problematic as team members struggle to coordinate across distance and time zones, and through low bandwidth technologies. As a result, some scholars have argued for the benefits of lessening cross-site interdependence on geographically distributed teams (e.g. Kiesler & Cummings, 2002; Olson & Olson, 2000). We contend, however, that internationally distributed teams will more likely experience ethnocentrism and eschew learning when they feel less interdependence among members and perceive less need to engage across their differences.

Proposition 6a. Perceived interdependence increases work team members' motivation to engage across differences and, by fostering an attitude of mutual positive distinctiveness, reduces the tendency for subgroup salience to result in ethnocentrism in the team.

Proposition 6b. Perceived interdependence increases work team members' motivation to engage across differences and, by fostering an attitude of mutual positive distinctiveness, increases the likelihood that subgroup salience will result in cross-national learning in the team.

Equal status. Extensive research has been conducted on the role that relative status plays in fueling and reducing ethnocentrism. Most recently, reviews of the literature have concluded that unequal status between groups contributes to ethnocentrism. The effect is most pronounced if a diffuse, global conceptualization of status (i.e. ethnicity) is salient rather than a transitory, task specific conceptualization (i.e. task performance) (Brauer, 2001; Mullen, Brown & Smith, 1992). For higher-status groups, engaging across differences could result in loss of valuable status; they are motivated to legitimize the existing social arrangement rather than seek change (see Jost & Burgess, 2000). Meanwhile, lower-status groups protect their self-esteem by emphasizing their ingroup membership and closed boundary (see Brewer & Campbell, 1976). In addition, feelings of being threatened by another group are more likely to occur under conditions of unequal power and status. Threat promotes the formation of coalitions in which groups focus on protecting their interests or exerting their dominance rather than on engaging to achieve mutual gains (Mannix, 1993). We conclude that motivation to engage across differences is reduced when groups have unequal status.

Researchers also have argued that equal status between groups can reduce ethnocentrism, although there is some debate about the conditions under which this effect operates. Allport (1954/1979) argues that equal status between groups *within* a contact situation is sufficient for contact to result in a reduction of ethnocentrism. More recent work has raised the question of whether equal status *beyond* the contact situation is required, that is, equal status in society (see Amir, 1969). Consistent with others, we argue that these two sources of status "are not mutually exclusive, but rather interrelated and overlapping" and that what matters are the perceptions of equal or unequal status that are created as these two sources of status operate together (Hewstone & Brown, 1986, p. 8; Riordan, 1978).

While studies conclude that unequal status contributes to ethnocentrism and equal status helps mitigate it, little is said about what is required for cross-group learning. Lau and Murnighan argue that "Groups that split into subgroups of comparable power are likely to experience intense, overt conflict. If they successfully resolve their disagreements, members will increase understandings of each other and their mutual tasks and will become less susceptible to future conflict" (1998, p. 335). Consistent with this, the work teams that displayed the most integration and cross-cultural learning in Ely and Thomas's (2001) study were characterized by equal status and open discussion of differences. Thus, we argue that equal status in work groups contributes to cross-national learning because team members are motivated to engage with each other in discussions about and across their differences.

Proposition 7a. Equal status increases work team members' motivation to engage with each other across differences and, by fostering an attitude of mutual positive distinctiveness, reduces the tendency for subgroup salience to result in ethnocentrism in the team.

Proposition 7b. Equal status increases work team members' motivation to engage with each other across differences and, by fostering an attitude of mutual positive distinctiveness, increases the likelihood that subgroup salience will result in cross-national learning in the team.

Institutional or social support. Contact between groups is more likely to result in a reduction of ethnocentric bias if the contact has institutional or social support (Allport, 1954/1979; Pettigrew, 1998). This lesser studied condition highlights the importance of the norms that govern intergroup contact in its context. To the extent that there is social support for positive engagement between groups, engagement will be more likely and fruitful. When norms favor the expression of differences, opportunities to learn about an outgroup are more frequent and salient (see Brewer & Miller, 1984). By contrast, norms of distance and discrimination

typically lead people to avoid contact with an outgroup. When interaction does occur they typically experience discomfort and fear (see Russell, 1961 as cited in Pettigrew, 1998).

Some businesses demonstrate their support for engagement across difference by hosting events and activities that enable learning to occur. One global business organization we studied, for example, holds festivals in which the foods, clothing, and customs of the different countries in which it employs team members are showcased. In addition to any cross-national learning that occurs, this practice may signal institutional support for such engagement. A study of American Express Travel Related Services suggests that learning about and acceptance of differences in lifestyles, values, and family obligations increases when executives and peers are supportive (Morrison & Herlihy, 1992). We propose that institutional and social support for cross-national learning will increase motivation to engage with team members across difference by lowering the barriers to such interaction.

Proposition 8a. Institutional or social support for positive contact between diverse work team members increases their motivation to engage across differences and, by fostering an attitude of mutual positive distinctiveness, reduces the tendency for subgroup salience to result in ethnocentrism in the team.

Proposition 8b. Institutional or social support for positive contact between diverse work team members increases their motivation to engage across differences and, by fostering an attitude of mutual positive distinctiveness, increases the likelihood that subgroup salience will result in cross-national learning in the team.

Information Sharing

For cross-group learning to occur, we argue that groups require not only the motivation to engage with each other despite differences, but also information exchange. New information about an outgroup can improve attitudes toward the outgroup and reduce ethnocentrism (Pettigrew, 1998; Stephan & Stephan, 1984). Information helps groups form more complex and, presumably, accurate images of an outgroup (Brewer & Miller, 1984), particularly if the information provides knowledge about both differences and similarities between the ingroup and outgroup and "explode[s] myths about false differences" (Hewstone & Brown, 1986, p. 11). Information about others' customs also can provide insights into one's own norms and customs, fostering mutual positive distinctiveness. In internationally distributed teams, two practices are essential – inclusive communication and sharing of contextual information.

Inclusive communication. The essence of the contact hypothesis is that inclusive contact between groups can reduce ethnocentrism as people interact with each other, learn about each other, and develop affective ties (Pettigrew, 1998). The importance of inclusive communication also is discussed and demonstrated in the work group literature. Lau and Murnighan (1998) warn that exclusivity in subgroup communication fuels the tendency for activated faultlines to result in polarization, while communication across subgroups limits it. Larkey (1996) and Maznevski (1994) identify inclusive communication as an integrating mechanism for culturally diverse work groups. Likewise, Brickson (2000) describes how integrated communication networks reduce the tendency for team members to categorize one another and fracture into subgroups.

Maintaining inclusive contact is a challenge for distributed teams, whose collocated members typically interact more frequently with one another than with their distant colleagues, particularly when the team is spread over time zones (e.g. Mortensen & Hinds, 2001; Walther, 2002). Cramton (2001) observes how this exclusivity in communication in internationally distributed teams promotes ethnocentrism. Some of the teams she studied failed to share critical project information inclusively among distributed team members, at times deliberately and at times in error. She describes how the lack of inclusive communication resulted in team members having different information without knowing this to be the case, impacting their shared understanding of their work and each other, fueling conflict and reducing effectiveness.

It is difficult, if not impossible, to avoid subgroup meetings in internationally distributed teams. We think, however, that technologies and practices that facilitate more inclusive communication among distributed team members will help limit ethnocentrism and promote cross-national learning.

Proposition 9a. Inclusive contact in a work team increases information sharing and, by fostering an attitude of mutual positive distinctiveness, reduces the tendency for subgroup salience to result in ethnocentrism.

Proposition 9b. Inclusive contact in a work team increases information sharing and, by fostering an attitude of mutual positive distinctiveness, increases the likelihood that subgroup salience will result in cross-national learning.

Sharing of context. Cramton (2001) describes how sharing contextual information among distributed workers is time consuming, unwieldy, and uninstinctive. Contextual information is information about the circumstances or

facts surrounding an event or work setting that helps people interpret behaviors and events. Information about local customs, work practices, and holidays are examples of contextual information. Lack of contextual information can result in misinterpretation of communication, misattribution concerning remote partners, and the development of ethnocentrism within a team (Cramton, 2001). In our view, lack of contextual information and its consequences pose acute problems for internationally distributed teams.

Exchange of contextual information can powerfully affect whether a team polarizes into subgroups around cross-national differences or engages in a learning and adaptation process. Contextual information increases team members' ability to understand and adapt to their differences. For example, team members may observe differences in the working hours of partners in another country but not understand how working hours reflect the typical family structure or the transportation system in the country. As a result of incomplete situational information, team members are likely to make harsh, and often inaccurate, attributions about the behaviors and intentions of their distant team members (Cramton, 2002; Jones & Nisbett, 1972). Framed in terms of our model of the cross-national learning process, practices that provide team members with contextual information will help them better understand their differences, which may increase their willingness to adapt their own practices to facilitate the team's collaboration.

Proposition 10a. Exchange of contextual information in a work team increases information sharing and, by fostering an attitude of mutual positive distinctiveness, reduces the tendency for subgroup salience to result in ethnocentrism.

Proposition 10b. Exchange of contextual information in a work team increases information sharing and, by fostering an attitude of mutual positive distinctiveness, increases the likelihood that subgroup salience will result in cross-national learning.

In summary, we expect that when subgroups become salient in internationally distributed teams with strong faultlines, ethnocentrism is likely to result. This tendency, however, is moderated in favor of cross-national learning when team members are motivated to engage across their differences and share information, contributing to an attitude of mutual positive distinctiveness: Team members recognize and appreciate their relative strengths, weaknesses and complementarities. Under these conditions, teams will perform more effectively and team members will develop skills that enable them to work productively on future internationally distributed teams.

DISCUSSION

In this paper, we have developed a theoretical framework for understanding the factors that contribute to subgroup dynamics in internationally distributed teams. We model Lau and Murnighan's (1998) work on faultlines, affording greater precision to the constructs and relationships. In particular, we educe the importance of subgroup salience as the manifestation of faultlines. We extend Lau and Murnighan's (1998) work by describing how geographic distribution, like demographic attributes, can contribute to the strength of faultlines. Our analysis suggests that when demographic attributes align with geographic location, distinct subgroups are even more likely to become salient. We also harness the powerful theoretical and empirical literature concerning ethnocentrism to the task of explaining the consequences of the existence of faultlines, another extension of Lau and Murnighan's (1998) work. As a result of the links among the constructs of faultlines, subgroup salience and ethnocentrism, potent theoretical predictions become possible. This analysis provides a secure foundation for explaining the us-versus-them dynamics observed in distributed teams, where "conflicts escalate strangely between distributed groups, resisting reason" (Armstrong & Cole, 1995, p. 188).

Although we argue that ethnocentrism and reduced team effectiveness are the most likely outcomes when faultlines are activated and subgroups become salient, we describe an alternative, ethnorelativistic learning. Ethnorelativist learning is learning about another group with the aim of understanding its perspective, including the other group's perspective on one's own group. While ethnocentrism narrows and biases one's thinking and is associated with competitive and hostile behavior in relation to another group, ethnorelativism expands one's perspective and is associated with empathic behavior in relation to the other group. In our context of interest in this paper, internationally distributed work teams, ethnorelativism takes the specific form of cross-national learning. Cross-national learning is learning about differences in the culture and local situation of team members that impact the team's work and relationships. We propose that cross-national learning enables work teams and organizations to capitalize on distance and differences rather than being harmed by them.

Whether ethnocentrism or cross-national learning results when subgroups become salient depends on the extent to which a work group has an attitude of mutual positive distinctiveness. We describe the interaction of this attitude with motivating factors and information sharing in tilting the balance from ethnocentrism to cross-national learning. When teams are motivated to share information across team members with an attitude of mutual positive distinctiveness, conditions are ripe for cross-national learning.

The notion of intergroup learning and the conditions that promote it have received little attention in the intergroup relations literature. We draw on social identity theory and the intergroup literature concerning the contact hypothesis to conceptualize intergroup learning. In particular, we highlight the potential importance of the new construct of mutual positive distinctiveness as a critical factor in facilitating intergroup learning.

Cross-national learning, we argue, will lead to more effective teamwork. Not only does it enhance the functioning of the existing team, but the capabilities of team members in future internationally distributed teams, improving long-term organizational effectiveness. The new construct of cross-national learning should enable researchers to better examine the impact of team dynamics beyond the immediate team and the current time.

Our analysis leads to the surprising conclusion that if managed well, faultlines may result in more resilient teams and team members. Faultlines are generally viewed as detrimental, increasing the likelihood of affective conflict and power struggles, and reducing learning (see Gibson & Vermeulen, 2003; Lau & Murnighan, 1998; Thatcher, Jehn & Zanutto, 2003). We propose, however, that the result of faultlines – subgroup salience – is a necessary condition for cross-national learning. Only when subgroup differences are salient is appreciation of unique strengths possible. Thus, faultlines contain the potential for learning. Furthermore, we argue that this learning can transcend the composition of the immediate group, resulting in enduring positive effects on individuals, teams, and organizations.

In this paper, we focus on distributed teams, but our analysis also contributes to understanding subgroup dynamics in collocated teams. By examining the factors that moderate the subgroup salience-ethnocentrism relationship, we suggest the conditions that lead to an improved ability of teams to learn from their diversity. Although extensive research has highlighted the importance of communication for surfacing different perspectives in diverse groups (e.g. Jehn & Mannix, 2001; Lovelace, Shapiro & Weingart, 2001), little of this research considers the patterns of communication between team members (i.e. inclusiveness) that are necessary for learning and adaptation to occur. Using empirical research on the contact hypothesis and intergroup theory, we expand upon Lau and Murnignan's (1998) conceptualization of inclusiveness as the primary factor mitigating the detrimental potential of faultlines. Because our focus in this paper was internationally distributed teams, we make these claims cautiously and invite broader and more thorough analysis involving traditional collocated work teams.

A limitation of this work is that we do not address the differential consequences of how team members are distributed, e.g. number of locations and numbers of

people at each location. As O'Leary and Cummings (2002) observe, the way that people are dispersed on distributed teams can significantly affect team dynamics. We believe that the number of locations and the number of people at each location are likely to affect subgroup dynamics. Subgroup dynamics are likely to be more extreme when there are fewer locations and a more even distribution of individuals by location. For example, we expect stronger subgroup dynamics in a team split evenly between just two locations as compared with a team that has a handful of team members at each of five locations. More locations increase the likelihood that demographic attributes and other important affiliations will cut across sites, mitigating subgroup dynamics. With regard to the number of people at each location, larger numbers at each location are likely to increase the amount of within-site communication relative to the amount of cross-site communication. Ethnocentrism is fostered when communication is more exclusive than inclusive across subgroups.

In building theory about the cross-national learning process, we relied on existing literature on cross-cultural relations. We were surprised, however, at how little is understood about the process by which people come to appreciate the differences of others and develop ethnorelativistic thinking and behavior. Although some theories exist, they often are minimally compatible and informed by scant empirical evidence. To validate the propositions we developed, it will be important to scrutinize this process and better understand the mechanisms and sequence of behaviors and attitudinal changes that generate cross-national learning.

Investigation of our model will likely require multiple studies and multiple methods. Many of our propositions are process oriented and lend themselves to ethnographic field studies that enable a deep understanding of the behaviors in which people and teams engage and the attitudes that accompany them. We believe that creative methods such as diaries and critical incident stories also will be required to expose some of the more subtle behaviors and attitudes that drive these processes. In addition, social network analysis will be informative in understanding the nature of relationships that form across locations and across faultlines. Finally, laboratory studies may be helpful for understanding the relationship between personal attributes and geographic distribution, teasing out the impact of each, and isolating the effects of the moderators we propose.

Practical Implications

Although our goal in this paper was primarily to develop theory, our analysis suggests some points for practice. As depicted by our model, subgroups become salient in an internationally distributed work team when some event galvanizes

awareness of and attention to demographic, geographic or other differences among group members. At this point, ethnocentrism is likely but ethno-relativistic learning also is possible. We think it is critical for managers and team members to foster the conditions that increase the likelihood of a response of inquiry, learning and adaptation rather than bias, rigidity and conflict. Our analysis of moderating variables provides evidence as to what these conditions might be.

The key condition is a work group attitude of mutual positive distinctiveness: the expectation that differences that surface in views, values, competencies and practices of team members are likely to be instructive and useful to the group as a whole. This also means fostering the belief that more than one subgroup can be positively distinctive.

We think that mutual positive distinctiveness is more likely when groups are motivated to engage across differences and share information. In practice, managers can encourage engagement across differences through the work interdependencies and institutional environments they create, and the behavior they model. Managers of internationally distributed teams often are tempted to reduce interdependence between distributed groups as much as possible because of communication and coordination difficulties. We caution that by limiting the motivation to engage across differences in this way, ethnocentrism and bias between subgroups may grow, increasing the risk that subgroups ultimately will reject each others' ideas and work. Likewise, when there are great disparities in the status, power and influence of different subgroups, we think that motivation to engage across differences will be reduced. High status subgroups may see no need to engage with low status subgroups and low status groups may find it too risky to engage with high status subgroups. Engagement across difference also is fostered when managers themselves model this behavior, inquiring about the various points of view when differences arise, attempting to develop an empathic understanding, and encouraging adaptive work practices.

Managers also can facilitate information sharing as a means of achieving mutual positive distinctiveness. Inclusive information sharing, for example, may be facilitated by transferring team members between sites. Transferred team members are likely to take their existing communication networks with them and build new communication networks at the new location. The overall effect may be stronger communication networks across sites. Transferred team members also may share their understanding of the home site context and interpret the behaviors of distant team members for the local subgroup. This is consistent with Subramaniam and Venkatraman's (2001) finding that organizations with team members who have overseas experience in which they acquire information about the tacit differences among countries are more effective at developing transnational products. Gruenfeld, Martorana and Fan (2000) caution, however, that transferred

team members with a different point of view may be marginalized because they are perceived as argumentative.

Some internationally distributed teams also have successfully created cross-site roles, such as liaisons responsible for ensuring coordination and information flow between distant team members (Armstrong & Cole, 1995). When team members are assigned roles that transcend their local site, we surmise that communication will be more inclusive and integrative, resulting in tighter bonds between members at distant sites. Consistent with this, Marcus-Newhall and colleagues (Marcus-Newhall, Miller, Holtz & Brewer, 1993) report that positive generalizations about a salient outgroup are more likely if roles are assigned in a way that cuts across subgroups. Team members with cross-cutting roles also may find themselves transferring contextual information as they bridge subgroups. Thus, cross-cutting roles are likely to decrease ethnocentrism and improve cross-national learning because they promote inclusiveness and the sharing of contextual information.

A defining characteristic of geographically distributed teams is their reliance on communication technologies to mediate interactions among distant team members (Hinds & Bailey, 2003; Maznevski & Chudoba, 2000). The communication technologies currently used by internationally distributed teams, however, are not particularly effective in facilitating the exchange of contextual information and may not be ideal for promoting inclusiveness and interdependence. Although differences exist among technologies, contextual information generally is difficult to transmit over mediating technologies because it is often dynamic and tacit (Clark & Brennan, 1991; Olson & Olson, 2000). In a study of student teams, Weisband (2002) noted that many of the groups had difficulty communicating contextual information via web conferencing and email. There is a need for new technologies that convey contextual information. Some technologies under development display information such as time zone differences and holidays at distant sites, the current availability of all team members, and on-going issues being dealt with by the team (e.g. Atkins et al., 2002). These awareness technologies may promote perceived interdependence and shared identity by making team identity and shared efforts more salient. Technology also may be able to support greater inclusiveness. As Cramton (2001) observed, distributed teams often face unevenly distributed information because team members distribute email messages to only a subset of the team. Although email should promote inclusion because of the multiple addressability feature (Sproull & Kiesler, 1991), evidence suggests that team members continue to communicate within subgroups, fueling friction between sites. This analysis suggests that technologies with passive inclusion features may be beneficial for reducing ethnocentrism and improving cross-national team learning.

Through this analysis, we strive to highlight the value of the moderating factors as an analytic tool to assist in identifying organizational practices, team activities, and technologies that might aid internationally distributed teams in overcoming the impacts of naturally occurring faultlines. We have described just a small subset of the practices suggested by these moderators. Overall, we encourage leaders and team members to be aware of potential faultlines, sensitive to the emergence of salient subgroups, and particularly, to provide the environment, practices, and tools that enable teams to transcend ethnocentrism and learn about and leverage their differences for the benefit of the team and the organization.

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PROTESTANT RELATIONAL IDEOLOGY: THE COGNITIVE UNDERPINNINGS AND ORGANIZATIONAL IMPLICATIONS OF AN AMERICAN ANOMALY

Jeffrey Sanchez-Burks

ABSTRACT

Cross-national comparisons of relational work styles suggest that the United States is an anomaly in its low relational focus. This article describes Protestant Relational Ideology (PRI), a cultural construct that explains the origins and nature of this anomaly. This construct refers to a deep-seated belief that affective and relational concerns are considered inappropriate in work settings and, therefore, are to be given less attention than in social, non-work settings. Akin to an institutional imprinting perspective, a review of sociological and historical research links PRI to the beliefs and practices of the founding communities of American society. A social cognition perspective is used to explain the mechanisms through which PRI influences American relational workways. The article also describes a program of research that uses PRI to address a wider set of organizational behavior issues that include: antecedents of prejudice and discrimination in diverse organizations; sources of intercultural miscommunication; beliefs about team

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conflict; mental models of "professionalism" and its effect on organizational recruitment and selection.

> [Our] practices and beliefs appear to us natural, permanent, and inevitable, whereas the particular conditions that make them possible often remain invisible.
>
> Asch (1952)

In the corridors of American organizations, "Focus on the task" and "Don't take things personally" are familiar words of advice, clichés repeated as subtle reminders about what it means to act "professionally." The message is sometimes stated more bluntly. James Clifton, CEO of The Gallup Organization, tells of how frequently managers raise concerns about one particular item in Gallup's popular "Q12 Survey" on employee engagement: the one that asks, "Do you have a best friend at work?" As one manager states, "We discourage friendships in the workplace."[1] These directions for appropriate work behavior reflect a deep-seated sentiment that affective and relational concerns ought to be put aside at work in order to direct one's attention to the task at hand. To be productive and efficient is *prima facie* to leave personal issues and emotional sensitivity at the office door.

Exceptions to this organizational preference in the United States for maintaining a polite but impersonal work style have been found, primarily in countries outside North America and Northern Europe. In these societies researchers have documented several unique cultural imperatives that specifically encourage people to closely monitor social-emotional cues in virtually all interpersonal situations (Ayman & Chemers, 1983; Diaz-Guerrero, 1967; Earley, 1997; Markus & Kitayama, 1991; Triandis, Marin, Liansky & Betancourt, 1984). The traditional path taken to account for these exceptions has been to generate theory grounded in values and traditions indigenous to their respective cultures. For example, the emphasis on expressive social emotionality and harmony in Mexican culture has been traced to the indigenous cultural value of *simpatia* in Mexican society (Diaz-Guerrero, 1967; Triandis et al., 1984). Chinese preferences to conduct business through a web of loyal interpersonal networks are described as a manifestation of *quanxi* in Chinese society (Bond, 1986; Tsui & Farh, 1997). Familial characteristics of business relations in many Korean organizations are conceptualized with respect to the Korean tradition of *chaebol* (Kim, 1988). Heightened sensitivity among the Japanese to the needs and concerns of others is argued to stem from the central role of *amae* in Japanese society (Doi, 1962). Such cultural studies offer rich theoretical accounts of relational styles abroad that deviate from the impersonal ideal workway of North America and Northern Europe.

What is an exception versus what is the modal tendency, however, is more clearly revealed in comparative research designed to differentiate cultures along

broad relational dimensions. This literature shows that in contrast to American patterns, heightened attention to relational concerns is in fact common across a large and diverse set of societies. For example, independent American self-construals contrast with more relationally sensitive, interdependent Japanese self-construals (Markus & Kitayama, 1991). American individualism also stands out from the harmony-focused Chinese collectivism (Bond, 1986; Earley & Gibson, 1998) or the Italian and French emphasis on team goals over an individual's goals (Hampden-Turner & Trompenaars, 1993). American preferences for task-focused leaders over social-emotional leaders vary from Indian preferences for leaders high in both domains (Kool & Saksena, 1988; Sinha, 1979, 1980). Lack of attention to contextual details and relational cues in communication distinguish American social interactions from high-context Latin American, Chinese and Korean exchanges (Earley, 1997; Hall, 1983; Sanchez-Burks et al., 2003; Ting-Toomey, 1991). The pattern that emerges suggests that mainstream American society is a cultural anomaly in its low degree of relational focus. Across East Asia, Latin America, India, the Middle East and parts of Europe, social-emotional concerns are carefully monitored in virtually all interpersonal situations. One shortcoming of this literature, however, is that a different explanation is offered for every deviation from mainstream American patterns when it appears that it is in fact the American patterns that deviate from the norm.

Anomalies beg to be explained. Moreover, the possibility of an American anomaly in relational work style has important implications for the field given the reliance on primarily American samples to generate and validate theory. What then can explain the origin and psychological nature of what appears to be a peculiar relational work style? This article describes a cultural construct called Protestant Relational Ideology, or PRI (Sanchez-Burks, 2002). This construct will be used to address these questions and to explore several organizational behavior dynamics influenced by an attention to affective and relational concerns in the workplace.

The next section reviews research on interpersonal patterns across cultures to further examine the extent to which mainstream American society appears as a cultural anomaly in its low degree of relational focus. The PRI construct is introduced next, followed by a review of sociological and historical research that links its origins to the ideology and practices of the founding communities of American society. A social cognition perspective is used to explain the mechanisms through which PRI influences workplace perceptions, decisions and behavior. After reviewing experimental evidence validating PRI's main propositions, a program of research is described that uses PRI to address a wider set of issues that include: (1) antecedents of prejudice and discrimination in diverse organizations; (2) sources of intercultural difficulties in communication; (3) cultural variation in

beliefs about team conflict and its implications; and (4) implicit mental models of "professionalism" and its effect on organizational recruitment and selection.

RELATIONAL STYLES ACROSS CULTURES

There has been a long-standing interest within the social sciences in mapping out variation in how cultures define and structure the nature of interpersonal relations. The definitions of culture that underlie many of these formulations resonate with what the cognitive anthropologist Sperber (1996) describes as community-specific ideas about what is true, good and efficient. As Sumner (1906/1979) argued, these unique *folkways* have a directive and historical force and as such are part of the fundamental building blocks for a society. In short, culture in this area of inquiry refers to "shared understandings made manifest in act and artifact" (Redfield, 1947).

The constructs most often studied by psychologists to capture this variation in relational style include independence-interdependence (Markus & Kitayama, 1991; Singelis, 1994), individualism-collectivism (Hofstede, 1980; Hsu, 1981; Triandis, 1995; Triandis, Malpass & Davidson, 1972) and high context-low context cultures (Hall, 1973, 1976). The construct of independence-interdependence focuses specifically on the nature of the relationship between self and other (Singelis, 1994). Markus and Kitayama (1991) argue that members of interdependent cultures, for example the Japanese and Koreans, place importance on maintaining interpersonal harmony and remain highly attentive to the needs, desires and goals of others in social interactions. In contrast, members of independent cultures such as in the U.S., emphasize individual happiness and focus on how relationships can serve their own needs, desires and goals. Ambady and colleagues (1996) show that whereas Korean managers structure the way they convey information based on the relationship between self and other, Americans are less influenced by the relationship than by the content of the information being conveyed.

Research within the individualism-collectivism tradition makes similar distinctions between self and other but focuses more on the relationship between the individual and the group. Ting-Toomey and colleagues (Ting-Toomey, 1988; Ting-Toomey et al., 1991) have argued that collectivists, more often than individualists, make a large relational investment in in-group members. The collectivism of the Chinese is reflected in their use of language that maintains "face" for self and other – a strategy that reaffirms interpersonal bonds (Earley, 1993; Earley & Erez, 1997; Hu, 1944). Americans instead rely on language that is geared more toward conveying information than toward lubricating social emotional relations within the group. The Japanese focus on accomplishments that enhance their

"group-self-esteem" whereas Americans prefer work that affords opportunities to enhance their personal self-esteem (Heine, Lehman & Markus, 1999). Collectivists more generally are less likely to succumb to diffusion of responsibility effects in group work whereas individualism in the U.S. is associated with greater social loafing (Earley, 1989). A recent review by Wagner (2002) shows the wide range of organizational dynamics that differ across the individualism-collectivism divide. The majority of these studies juxtapose American patterns with those from a variety of countries. As suggested by Tocqueville over a century and half ago, Americans are individualists *par excellence*. As such, they frequently appear at or near the end of the distribution for phenomena shaped by relational sensitivity.

Finally, distinctions between high-context cultures and low-context cultures focus on how much information a person attends to about the other during social interaction and how broadly elements from one social context permeate other social contexts. As the label would suggest, in high-context cultures such as Mexico, people carefully attend to others' emotional expressions, eye contact and tone of voice (Carroll, 1990; Hall, 1976). Moreover, relationships in these cultures are slow to develop, difficult to break and permeate many facets of life (Collier, Ribeau & Hecht, 1986; Condon, 1985). The heightened attentiveness to contextual cues inside and outside the workplace in high-context cultures is likely related to the fact that coworkers and close family friends often overlap. Recreational and important personal events are shared with the same folks from the workplace lunchroom. In contrast, relationships in low-context cultures are forged for a specific purpose in a particular context, often for a limited duration. Social cliques vary across activities (tennis friends, church friends) and more rarely bridge the work/non-work divide. Thus, there are fewer relational elements in any particular social context that have implications for other contexts and thus would require attention. Within specific social interactions, people in low-context cultures attend to what is said more than to how it is said (Ambady, Koo, Lee & Rosenthal, 1996; Hampden-Turner & Trompenaars, 1993). The potential for serious misunderstanding is illustrated in a story retold by Triandis (1995) where a foreign diplomat did not take an American's threat seriously because at the time the person did not appear emotional!

Culture-Specific Workways

Departing from these cross-cultural comparisons along broad dimensions, another research tradition focuses on culture-specific folkways concerning the proper nature of work relations (i.e. workways). This research shows that cultural meanings ascribed to work-centered relations often entail guidelines about appropriate levels of attention to social emotional ties. Within South Korea, for

example, work relations are modeled after the tradition of *chaebol*, or "company familism" (Kim, 1988). In a typical South Korean organization, work relationships consist of tightly-knit personal bonds; managers play a paternal role in relation to their subordinates (Hui & Luk, 1997). Similarly, people within Japanese and Indian organizations place great importance on the creation and maintenance of highly personal relationships (Hui & Luk, 1997; Hui, Eastman & Yee, 1995; Kanungo, 1990; Kool & Saksena, 1988; Sinha, 1980). Managers in these cultures take care to know a lot about the personal lives of their subordinates and will even attend important personal events such as the funeral of an employee's relative (Triandis et al., 1994; Trompenaars, 1993). In Chinese organizations, many important tasks are accomplished through meticulous attention to developing *you-yi* or deep friendships based on mutual obligation (Solomon, 1999; Wall, 1990). Indeed, one of the defining features of business in China is the emphasis on interconnected relationships or *guanxi* (Li, Tsui & Weldon, 2000; Tsui & Farh, 1997). Theorists have argued that for many Asians, establishing a highly personal connection is a necessary precondition to working with others (Hampden-Turner & Trompenaars, 1993). This may also apply to the Indian sub-continent as suggested by data showing that the preferred leadership style among Indian managers involves a strong social emotional focus (Kool & Saksena, 1988; Sinha, 1979).

Research on Mexican work styles likewise describes an emphasis on attention to social emotional relations (Condon, 1985; Lindsley & Braithwaite, 1996; Raeff, Greenfield & Quiroz, 1999; Roll, Millen & Martinez, 1980). In Mexico, work relations, like most other relationships, are guided by the cultural tradition of *simpatía* (Diaz-Guerrero, 1967; Triandis, Marin, Lisansky & Betancourt, 1984). This highly valued relational style resembles the search for social harmony, that is characteristic of many East Asian cultures, but emphasizes the expressive displays of personal charm, graciousness and hospitality more common in Latin cultures (Diaz-Guerrero, 1967; Lindsley & Braithwaite, 1996; Sanchez-Burks, Nisbett & Ybarra, 2000). In Italy, for example, simpatía has been found to be a necessary (though not sufficient) prerequisite to leadership (Dechert, 1961). Simpatía in daily workplace interactions highlights the importance of respecting and understanding others' feelings (Markus & Lin, 1999).

Taken together, this cross-cultural research shows that relational styles in organizations reflect the cultures in which they are embedded. Moreover it demonstrates that there is tremendous diversity in the mental models people use to navigate the relational dimension of the workplace. In most cultures, sensitivity to affective and relational concerns is tightly woven into the social fabric of virtually all relations, and some evidence suggests these concerns become more, not less, important within the workplace. Throughout this literature, however, in contrast to many cultures around the world, it is within mainstream American

society that affective and relational concerns are less carefully monitored and given diminished importance in the workplace. American culture is depicted as having the prototypical independent, individualistic and low-context relational styles. Despite what appears to be an anomaly in the cross-cultural distribution of relational sensitivity, most theoretical formulations have focused on explaining "the other" leaving a gap in the field's understanding of the nature and origin of the American anomaly. The next section describes a theoretical account that addresses this lacuna and provides a framework in which to understand this American exceptionalism (Baker, 2004; Lipset, 1996).

PROTESTANT RELATIONAL IDEOLOGY

Protestant Relational Ideology (PRI) refers to a deep-seated belief that affective and relational concerns are considered inappropriate in work settings and, therefore, are to be given less attention than in social, non-work settings (Sanchez-Burks, 2002). PRI can be traced to the beliefs and social practices of the founding communities in the U.S., the ascetic Protestants, who introduced a unique worldview concerning the proper role of relational concerns in work versus non-work settings. The influence of ascetic Protestantism on contemporary American culture was first noted by Alexis de Tocqueville (1840/1990) and later expanded by Max Weber (1904/1930, 1947), both of whom saw the cultural beliefs and practices of the early ascetic Calvinists reflected in the nature of modern work relations. Since then, sociologists (Bellah et al., 1996; Huntington, 2004; Inglehart & Baker, 2000; Lenski, 1963; Lipset, 1996), psychologists (McClelland, 1961; Winterbottom, 1953) and management theorists (Baker, 2004; Hampden-Turner & Trompenaars, 1993) have continued to trace current American workways to those of the culture's founding communities. This research tradition, as with theories on institutional imprinting (Baron, Hannan & Burton, 1999; Stinchcombe, 1965), are premised on the observations that prior social-historical conditions such as traditional religious values have an enduring influence on social institutions long after the original conditions have faded (Baker, 2005; Lipset, 1996).

Weber's (1904/1930) seminal thesis on Protestant ideology is most widely known for its analysis of how the meaning of work was transformed from a necessary evil to one's calling in life based on the beliefs advocated by the early Protestant sects (Bendix, 1977). During the initial stages of the Protestant Reformation, Martin Luther introduced the notion that one's duty in life was hard work in every activity. In so doing, he elevated workplace activities to a level of religious significance afforded to prayer and other religious ceremonies (McGrath, 1993; McNeill, 1954). This was a radical departure from the then mainstream

sentiment that earthly work was a necessary but "debasing, demeaning activity, best left to one's social – and spiritual inferiors" (McGrath, 1993, p. 223).

One of the hallmarks of the Protestant Reformation, according to Weber, was the creation of an ethic in which daily work was to be performed with all the fervor and moral imperatives as other activities done for the glory of God. This worldview, described by Weber as the "Protestant Ethic," framed work as having a central role in life and meaningful in itself. Indeed, subsequent empirical studies have operationalized the Protestant Ethic as beliefs about the value of work in its own right, and its corollaries which emphasize the importance of self-reliance and limiting personal indulgences (Bendix, 1977; Buchholz, 1978; Furnham, 1990; Giorgi & Marsh, 1990; Mirels & Garrett, 1971; Quinn & Crocker, 1999).

Among the early American Protestants, however, these work ethic beliefs were intertwined with another ideology steeped in the teaching of John Calvin who articulated the proper nature of conduct in one's calling. Calvin argued that in daily work and other duties pertinent to one's calling, individuals ought to maintain an unsentimental impersonality in their conduct with one another (Weber, 1904/1930). Calvin's justification for these limits on affective and relational attentiveness was that "to use time in idle talk, in sociability [while working] is evil because it detracts from the active performance of God's will in a calling" (Bendix, 1977, p. 62). The social consequence of Calvinism according to Weber was the "entirely negative attitude of Puritanism to all the sensuous and emotional elements in culture and in religion," (1904/1390, p. 105). These teachings on restricting attention to relational concerns by Calvin and his doctrine of predestination were among the defining characteristics of the early American Protestant sects (McGrath, 1993; McNeill, 1954).

Appropriate Exceptions for Relational Sensitivity

For the American Puritans, however, there were sanctioned exceptions to the official dogma restricting relational sensitivity. Despite these sharp prohibitions against attending to social emotional concerns, Weber (1947) along with contemporary cultural historians (Daniels, 1995; Fischer, 1989) have noted several exceptions outside of work and religious activities in which Puritan societies allowed and even encouraged social-emotionality. In contrast to the ever stoic Puritan stereotype, communities permitted social emotional relations among young people within certain contexts so that they could discover if they loved one another. Surprisingly, the ascetic Puritans "cherished true love, and insisted that it was a prerequisite of a happy marriage" (Fischer, 1989, p. 79). In another example, people were actively encouraged to participate in collective recreational activities

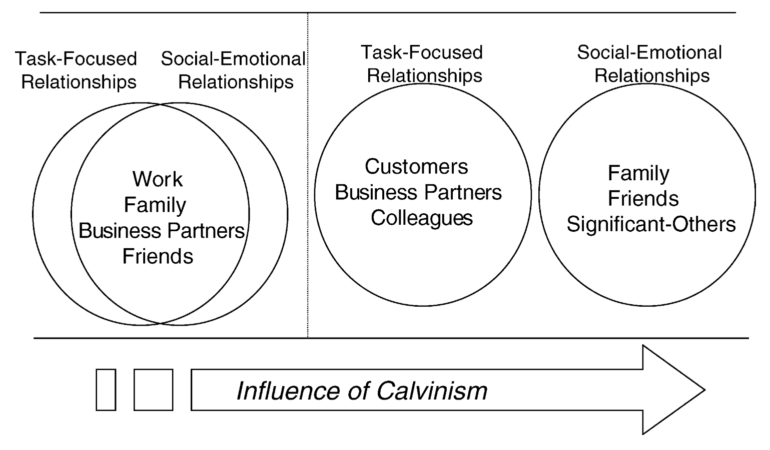


Fig. 1.

where people throughout the town would regularly gather. In settings such as taverns, common in most Puritan towns, people would engage in lively, expressive exchanges (Daniels, 1995). Such exceptions for relational sensitivity it appears were woven into the social fabric of early American communities, in stark contrast to the taboos against them within the workplace.

Weber (1947) argued this emergence of a sharp distinction between appropriate work and nonwork relational sensitivity exemplified Tonnies' (1887/2002) distinction between *gesellschaft* and *gemeinschaft* – two fundamental types of social relations. Gesellschaft refers to non-affective, rational, pragmatic relations, whereas gemeinschaft refers to social emotional-oriented relations. The relational ideology put in practice by the early American communities created a divide (illustrated in Fig. 1) in the social world between settings for gemeinschaft where attentiveness to affective and relational concerns is appropriate and settings for gesellschaft where only a task focus is appropriate. As characterized by Hampden-Turner and Trompenaars (1993, p. 133), the "world [became] split between the machine and the suburban garden, producing and consuming. No intimacy, affection, brotherhood, or rootedness is supposed to sully the world of work." This break from a sensitivity to relational concerns in work and non-work settings alike – a practice that remains common in much of the world – suggests that the early American protestants gave birth to a culturally unique impersonal and emotionally detached ideal relational work style (Lenski, 1961). Over time these beliefs about restricting attentiveness to relational and affective concerns in work settings were secularized and incorporated into the contemporary ethos of American culture (Fischer, 1989; Weber, 1930, 1947); they define PRI.

PRI is conceptualized within a social cognition framework in which work and non-work settings activate different relational schemas. Relational schemas refer to cognitive structures that provide goals and expectations about what can be expected to occur in a given situation, what behaviors are or are not appropriate and which elements of the situation are important to notice and remember (for a review, see Baldwin, 1992). Relational schemas are developed through experience and socialization in particular socio-cultural contexts and thus operate as a mechanism through which culture influences perception and behavior in social interactions (Earley & Mosakowski, 2002; Morris & Young, 2002). The theoretical analysis of PRI suggests that experience in cultures shaped by ascetic Protestantism influence the development and accessibility of relational schemas used to navigate work and non-work social interactions. As such, PRI provides specific propositions regarding workplace cognition and behavior.

Propositions and Evidence of PRI

PRI is grounded in three propositions. First, people are less attentive to affective and relational cues in work settings compared with non-work settings. Second, this pattern should be stronger among groups with greater exposure to cultural contexts shaped by Calvinist Protestantism. Third, PRI-influenced cultural groups diverge from other cultures with respect to relational focus more in work settings than in non-work settings. Thus, PRI describes the conditions under which to expect cultural differences and cultural similarities in relational attentiveness – a shift from constructs focused on explaining cultural main effect differences. Moreover, the decreasing relational focus at work compared to outside work is a pattern opposite to what many scholars argue exists in many other cultures. For example, in East Asian and Latin American organizations attention to relational cues is heightened rather than attenuated because of greater formality and emphasis on power dynamics (Earley, 1997; Triandis, Dunnette & Hough, 1994). The implication that cultural divides become pronounced in the context of work stresses the importance of considering cultural styles within organizations. Finally, these propositions narrow the domain of organizational behavior influenced by PRI to those dynamics contingent on attention to affective and relational cues. In this respect, PRI's focus on how social emotional cues are encoded complements research focused on their expression and regulation (cf. Hochschild, 1979; Martin, Knopoff & Beckman, 1998; Morris & Keltner, 2000; Pratt, 2000; Rafaeli & Sutton, 1987).

Evidence for PRI's propositions comes from field and laboratory studies conducted across and within cultures using behavioral, self-report and implicit

cognitive measures. The research strategy used in these "existence proof" studies relied on common social cognition techniques used to demonstrate the existence and influence of particular relational schemas (Baldwin, 1992; Fiske & Haslam, 1996; Wilson & Capitman, 1982). In these studies, evidence of relational schema processes was obtained through measures that assessed the relative amount of emotional and relational cues people who vary in exposure to PRI encode and store in memory across work and non-work settings. These cues included global interpersonal dimensions of social interactions (e.g. information about team harmony or discord), the emotional content of verbal communication and non-verbal behavioral gestures of an interaction partner.

Initial indications that Americans use a strictly task-focused relational schema at work come from a set of field experiments conducted with Anglo-Americans and Latinos (Mexicans and Mexican-Americans) (Sanchez-Burks, Nisbett & Ybarra, 2000). These studies examined differences in what people believed they saw and heard in a video of a typical workgroup meeting. In these experiments, Anglo-Americans and Latinos watched a social interaction unfold in which two people meet to resolve problems with a project. After watching the meeting, participants answered unrelated survey questions and then completed a free recall task in which they wrote down what they remembered from the video. Responses were coded as either task-specific memories or interpersonal memories. Task-specific memories focused on the work, process and progress or lack thereof; for example, "They didn't get much done," "They asked a lot of questions" and "They were productive." Interpersonal memories focused on the relational dimension of the meeting; for example, "One person was rude, the other was friendly" and "They seemed friendly." The average number of task and interpersonal memories were compared to examine cultural differences and similarities in the types of information noticed.

For the Anglo-Americans, work activates primarily a task-focused schema as suggested by PRI theory. In contrast, for Latinos it activates a task-focused and social-emotional schema as suggested by research showing their heightened sensitivity to social emotional cues in work settings (Lindsley & Braithwaite, 1996; Triandis et al., 1984). This suggests the Anglo-American participants should show poorer recall for interpersonal memories than the Latino participants. Comparisons of the relative number of memories of both groups in each category show just this pattern. On average, the Latinos could recall twice as much information from the interpersonal dimension as could the Anglo-Americans. Indeed, the Anglo-Americans tended to have very little recollection about the nature of the relationships. However, comparisons of recall for task-specific information showed no difference between groups. In contrast to the Latinos who noted both task-specific and interpersonal cues, the Anglo-Americans focused almost exclusively on the task and were virtually oblivious to the interpersonal cues.

The findings of the Sanchez-Burks et al. (2000) study show that the cultural differences are cognitively deep and not limited to differences in explicit values about what is important in workplace meetings. The authors suggest that Anglo-Americans bring a different lens to workplace meetings than do Latinos and that this difference is specific to the relational dimension. Nonetheless, these differences could be attributed to the *simpatia* script common in Latin American culture (Triandis et al., 1984) rather than something particular to Anglo-Americans such as PRI. Indeed, one of the challenges of explaining cross-cultural differences is the variation between groups other than dimensions proposed to explain the differences (Brockner, 2003; Earley, 1989). In addition to *simpatia* and exposure to PRI, Anglo-Americans and Latinos differ in various ways such as language, geography and social structure, which might also influence their relational work schemas. These issues and others were addressed in a set of experiments reported by Sanchez-Burks (2002) who constructed a more stringent test of PRI.

If differences in relational schemas arise from differential socialization, then PRI should be stronger among groups with greater exposure to Calvinism. One strategy that researchers have typically used to investigate the existence and influence of Protestant ideologies in American culture is to focus on comparisons within culture, specifically between groups of Americans socialized within different religious traditions, such as Protestants versus Catholics (Lenski, 1961; McClelland, 1961; Winterbottom, 1953). For example, Winterbottom (1953) studied the influence of the Protestant Ethic on child-rearing practices by comparing the point at which European-American Protestant and Catholic mothers' fostered self-reliance in their children. Similarly, Lenski examined evidence of the Protestant Ethic by comparing political, economic and family patterns across Protestant and Catholic Americans living in the Midwestern U.S. These strategies are consistent with the notion that the schemas people use to navigate the social world reflect their socialization and experience within particular contexts.

Following this tradition, Sanchez-Burks (2002) compared two groups of European-Americans with highly similar demographic profiles (education, ethnicity, parents' socio-economic status) who differed in whether or not they were raised within specifically Calvinist denominations, namely Presbyterian and Methodist. Presbyterians were among the first ascetic Protestant sects along with Puritans and Quakers to bring Calvinism to the New World (Fischer, 1989; McGrath, 1993). In the eighteenth century, Methodism was formed as a Calvinist revival movement (McNeill, 1954). Within each of these denominations, Calvinism serves as the centerpiece of their beliefs and traditions. Participants raised in either of these groups were compared with the largest group of non-Protestant European-Americans with a clear lack of association with Calvinism, namely people raised within a Roman Catholic tradition. This design was based on the

rationale that PRI is enculturated over time as are other cultural beliefs and schemas. Moreover, the participants were selected not based on their espoused religious affiliation but simply on whether they indicated they were raised within one of these denominations. As with the Protestant Ethic in American society, where the sentiment that people have a moral obligation to work is no longer explicitly linked to one's calling or predestination (Giorgi & Marsh, 1990; Lenski, 1962), so too the PRI is not assumed to be linked explicitly to religious teachings. Rather, subtle cues about focusing on the task, not relationships while working are expected to be more common in socialization practices found in American communities generally and those rooted in Calvinism more specifically. The high degree of similarity between these groups, aside from their exposure to Calvinism, provides a more precise test of PRI. However, to the extent that PRI nonetheless is diffused in American culture, differences are unlikely to be large; therefore, a social cognition measure was used so as to detect reliable differences that were small in magnitude.

In one experiment, American males raised with Calvinism (e.g. from a Methodist family) or without it (e.g. from a Catholic family) were primed either for a work context (by having them don ties and dress shirts and discuss a Harvard Business School case) or for a social context (by having them put on Hawaiian shirts and play a fun card game) (Sanchez-Burks, 2003, Study 1). Participants then performed an "emotional Stroop test," based on a paradigm developed by Kitayama and colleagues (Ishii, Reyes & Kitayama, 2003; Kitayama & Ferguson, 1992; Kitayama & Howard, 1994). Participants heard words having either positive or negative valence read either in an affect-appropriate tone (e.g. a sad voice for *funeral*) or an affect-inappropriate tone (e.g. a sad voice for *wedding*). The task was to quickly identify the semantic valence (good-bad) of each word. The extent to which subjects were attending to the affective tone rather than to the explicit lexical meaning was indexed by subtracting speed of response to affect-appropriate words from those for affect-inappropriate words. The results showed that Catholics and Protestants were equally confused by affect-inappropriateness in the social context whereas Protestants were much less confused by affect inappropriateness in the work context than were Catholics. In fact, the potential distraction created when one spontaneously encodes emotion in this paradigm did not emerge for Protestants in the work context. Here, Protestants were particularly adept at narrowing their focus to the content of the message not the emotional tone used to convey it.

In another study (Sanchez-Burks, 2002, Study 2), a different experimental paradigm provided evidence of PRI's influence on behavior. The study capitalized on an effect proposed by William James (1890), whereby the mere encoding of a behavior automatically increases the likelihood of engaging in that behavior. This effect, referred to as behavioral mirroring or non-conscious mimicry, has

received empirical support from research conduced by Chartrand, Van Baaren and their colleagues (Chartrand & Bargh, 1999; Van Baaren et al., 2003; Van Baaren, Holland, Steenaert & Knippenberg, 2003; Van Baaren, Horgan, Chartrand & Dijkmans, 2004). In their studies, a trained confederate interacts with a participant by enacting subtle behavioral gestures such as shaking a foot. How much participants non-consciously mirror these gestures depends on how much they attend to the other person during the social interaction. Thus, non-conscious mimicry serves as an implicit behavioral measure of relational attentiveness.

Adapting this paradigm, the PRI study by Sanchez-Burks (2002) examined whether the differences in attention to interpersonal cues obtained in prior studies would influence the extent to which Anglo-Americans raised or not raised with Calvinism would engage in non-verbal behavioral matching while working together. In this experiment, Anglo-American males and females either raised with Calvinism (Presbyterian or Methodist) or in another tradition (e.g. Catholic, Atheist, Unitarian) were primed for a work context (by having them come to the study dressed in “interview appropriate” attire and then work on a business case) or a non-work context (by having them come dressed in casual beach attire and then generate a list of ideal spring break vacations). Participants interacted with a confederate who was trained to complete a sequence of non-verbal gestures (e.g. shake a foot, rub the face) during the meeting. The interactions were videotaped for later coding of the extent to which participants mirrored the gestures of the confederates (a measure of level of attention to task-unrelated interpersonal cues).

The pattern of results provided further support of PRI theory and its main propositions. Exposure to Calvinism was related to less mirroring in the work context compared to the non-work context. The researchers found no reliable group differences in the level of mirroring when participants were primed for a non-work situation. However, when primed for a work context, those raised as Protestants mirrored significantly less than those not raised with Calvinism. The virtual lack of attention to relational cues (indicated by low levels of behavioral mirroring) in the work setting among those raised with Calvinism is highly consistent with prior observations using very different measures of relational attentiveness.

Taken together, these studies provide evidence that diminished attention to affective and relational cues in work settings compared to non-work settings varies with one’s exposure to Calvinism. The multiple and converging measures of relational attentiveness show PRI as an organizing framework for the relational schemas used to navigate work and non-work social interactions.

The next section describes how PRI, operating as a psychological mechanism of culture, shapes relational and inter-group patterns and outcomes in organizations. In addition to providing further evidence of PRI’s influence within and between cultures, these research streams use PRI theory to better understand four areas

of organizational research: (1) antecedents of prejudice and discrimination in diverse organizations; (2) sources of intercultural miscommunication; (3) beliefs about team conflict; and (4) mental models of "professionalism" and its effect on organizational recruitment and selection. These studies employ survey, laboratory and field experiments with populations including senior level specialists, mid-level managers, young professionals, and undergraduate and graduate students.

FACE-SAVING CIRCUITOUSNESS VERSUS PROFESSIONAL DIRECTNESS

Relational issues are deeply embedded in the way we communicate with one another. Imagine a situation where you need to deliver negative feedback to a colleague about their presentation idea for an upcoming board meeting. One option for communicating bad news would be to remain frank and to the point, focusing more on what to say rather than how to say it: "Bradley, the ideas in the presentation are not new or relevant to the meeting's agenda." Another option would be to deliver a more circuitous locution, saying for example: "Hmmm, that's an interesting idea," conveying with body language and vocal intonation the true sentiment while saving face for the coworker. Which option people use depends in part on how much they believe it is appropriate to attend to the social-emotional dimension of the exchange (Brown & Levinson, 1987; Earley, 1997; Goffman, 1967; Ting-Toomey, 1988, Ting-Toomey et al., 1991).

According to Goffman's (1959, 1967) analysis of facework, indirectness is used when one attempts to both convey the message and be sensitive to social-emotional considerations including the relationship, the feelings and face (i.e. public image) of the other. When people presume social-emotional concerns to be far less relevant than the message in a situation, for example a workplace feedback session, they focus their attention on what is said rather than how it is said (Ambady et al., 1996; Kimmel, 1994). The need to rely on non-verbal and vocal intonations to convey or interpret the full meaning of the message is diminished by virtue of this belief that others will put aside relational concerns and focus on the work.

Problematic misunderstandings, therefore, can emerge when communicators have divergent beliefs about the importance of social-emotional concerns in an interaction. Indeed, conversational indirectness has long been considered a cause of interpersonal miscommunications. Indirectness can be understood following Grice's (1968) distinction between sentence meaning and speaker meaning. Sentence meaning refers to the literal or semantic meaning of an utterance, and speaker meaning refers to what the speaker intends to accomplish with the remark. Thus, if the speaker says, "The presentation is interesting" but actually intends to

communicate reservations about its value, there is indirectness. Besides referring to how a speaker conveys a message, indirectness also affects how a listener interprets the messages of others. For example, a listener can infer a meaning that goes beyond what is explicitly stated, which can be independent of whether the speaker intends to be direct or indirect.

There is an extensive empirical literature demonstrating that people rely on indirectness more in situations where they are attentive to affective relational and relational concerns (Brown & Levinson, 1987; Earley, 1997; Hall, 1983; Holtgraves, 1997; Ting-Toomey et al., 1991). Moreover, indirectness has been shown to vary across cultures (for reviews, see Markus & Kitayama, 1991; Ting-Toomey et al., 1991). The role of face in East Asian culture, as described by Earley (1997) and Ting-Toomey (1998), permeates virtually every social interaction. The cultural obligation to saving face for others and preserving interpersonal harmony is revealed in the broad array of social cues people use to communicate. Koreans, for example, rely on indirectness to convey important information and to make requests construed as an imposition (Holtgraves, 1997; Holtgraves & Yang, 1990, 1992). They base their inferences about another's intentions on the content and pattern of non-verbal and relational cues contained in the message (Ambady et al., 1996).

Indirectness in East Asian communication is described in the literature in a manner suggesting that it is peculiar and requires explanation for its departure from the direct style, which is taken as the default. That is, departures from an implicit baseline of directness have been attributed to differences in various constructs, including the collective value placed on saving face and the high context of cultural tendencies. These approaches share a common focus in describing mean East-West cultural differences and often emphasize the high levels of indirectness abroad rather than the low level of indirectness in the U.S.

Alternatively, PRI has been used to generate hypotheses that go beyond main-effect cultural differences and posit the conditions under which East-West indirectness will vary by building on the relationship between indirectness and attentiveness to relational concerns. As people focus on relational concerns they also become more indirect. That American relational attentiveness decreases in work compared with non-work settings (*a la* PRI) suggests that Americans are less indirect at work. Conversely, East Asians have been shown to remain highly attentive to relational concerns at work, perhaps even more attentive compared with non-work settings (for an excellent review see Earley, 1997). In addition to the pervasive role of indirectness and relational concerns in East Asia, from the dinner table to the office, scholars have suggested that indirectness is more rather than less common in East Asian organizations because of greater formality and power dynamics (Triandis, Dunnette & Hough, 1994). This suggests a reverse pattern of

indirectness compared to Americans in which East Asians might remain or become more indirect at work. Together this points to a novel but unfortunate culture by situation interaction where the magnitude of East-West differences in indirectness grows larger in the context of work. Thus, PRI posits that miscommunications are more likely in those situations where economic need, career aspirations and organizational demands bring together and rely on effective cross-cultural communication.

Interpreting Performance Feedback

In one experiment designed to examine these implications for Korean, Chinese and American managers, Sanchez-Burks and colleagues (2003) developed a performance feedback paradigm that quantified miscommunication. In this paradigm, people were given a transcript containing an indirect performance feedback message and asked to estimate the actual performance conveyed by the message on 14 dimensions. The actual message comes from Lee (1993) in which the author of the message was given a partner's poor performance ratings along the same 14 dimensions, and asked to write a note to the partner about the content of the evaluation. The specific message borrowed from Lee's study scored in the 95th percentile of indirectness. Thus, the task in the Sanchez-Burks et al. (2003) study is essentially Lee's study in reverse. Rather than give people actual ratings and ask them to convey the results, the study gave them a written message and asked them to estimate the actual ratings. Miscommunication was operationalized as the mean difference in a participant's interpretation and the actual performance ratings. In the work version, participants were told the message conveyed an employee's annual performance evaluation. In the non-work version, participants were told the message came from one friend conveying the results of another friend's personality test. The message and the evaluation form were identical in both conditions.

Accuracy in this paradigm required attention to indirectness; a direct interpretation of the message results in overestimating the actual performance. The Sanchez-Burks et al. (2003) study showed that Korean and Chinese managers maintained similar levels of accuracy across the work and non-work conditions. Across these situations, the Korean and Chinese managers remained attentive to the face saving indirect cues embedded in feedback. The American managers, consistent with a PRI orientation, also noticed the indirect cues but far less so when they read the message with a workplace mindset. Compared to a social setting, American managers in the work setting failed to pick up on the indirectness and as a result overestimated the actual value placed on the employee's performance. This is consistent with the proposition that work and non-work settings activate

different relational schemas for Americans. Face saving indirectness is noticed and used among Americans for interpreting communication between friends, whereas a literal interpretation is more common for workplace communication. Thus, in this study, the Korean and Chinese managers more accurately infer indirect performance feedback.

Findings from the Sanchez-Burks et al. (2003) study can be applied to cross-cultural communication in the workplace. For instance, Americans in the workplace are likely to miss messages conveyed indirectly, for example, when an Asian colleague tries to point out a serious flaw in an American colleague's idea without saying it directly (e.g. "I'm not sure your idea for the project will work, but it is very interesting"). Americans can miss such subtleties and consequently overestimate the Asian colleague's actual evaluation. Asians in the same situation are more likely to adjust for indirectness of communication style and thus correctly estimate the colleague's evaluation. However, the opposite can also occur: Asians may look for indirect meanings in messages that are meant by Americans to be taken literally. For example, when an Asian employee infers a negative evaluation from an American manager's remark, "you're doing great," when in fact the American intended to convey a very positive evaluation.

A series of follow-up studies (Sanchez-Burks et al., 2003, Studies 3 and 4) used a self-report measure of indirectness to test the proposition that the East-West divide in indirectness grows larger in the context of work. Using a cross-culturally validated measure of indirectness developed by Holtgraves and colleagues (Holtgraves, 1990, 1997; Holtgraves & Yang, 1992), Sanchez-Burks et al. (2003) examined within and between culture differences in indirectness. Specifically, they measured workplace and non-work indirectness by asking participants to answer the questionnaire items with respect to either someone within the workplace or someone with whom they interact only outside of work.

Remarkably, the pattern of results across four studies using this paradigm was identical whether participants were working managers (Sanchez-Burks et al., 2003, Studies 2 and 3), MBA students (Sanchez-Burks et al., 2003, Study 2) or undergraduate students (Sanchez-Burks, 1999). East Asian participants reported being equal or more attentive to indirectness in work settings as compared to outside work settings. This pattern does not differ for groups from China, Japan, Korea, Singapore or Taiwan. Consistent with their actual perceptions captured in the prior study, Anglo-American participants reported being less attentive to indirect communication at work as compared to outside of work. As illustrated in Fig. 2, this research shows that among participants, the magnitude and consequences of East-West differences in communication are greater in the context of work.

The fourth study conducted by Sanchez-Burks and his colleagues (2003) ruled out factors aside from differences in PRI that may contribute to the culture by a

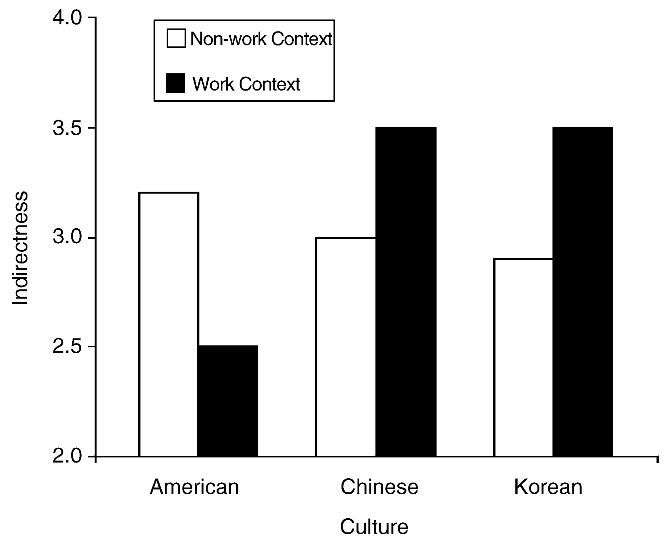


Fig. 2. Indirectness as a Function of Context and Participant's Culture. *Note:* Means are on a 7-point scale with higher values indicating greater indirectness. Adapted from Sanchez-Burks et al. (2003).

situation interaction pattern found across their four studies. The most plausible difference that could produce a similar pattern is that East Asian organizations are more likely than American organizations to include family members or close friends working together (Hui & Luk, 1997). This may attenuate the work/non-work distinction in relational focus, even for those that have not yet begun their careers. To address this possibility, the researchers adapted a cultural priming paradigm developed by Hong, Chui and Kung (1997); a paradigm based on a *dynamic constructivist* model of culture.

The dynamic constructivist model of culture (Hong, Morris, Chiu & Benet-Martinez, 2000) holds that people often hold multiple cultural schemas but that contextual features of the environment influence which schema becomes accessible and thus operational for the individual in that setting. For example, someone with independent and interdependent self-schemas will perceive a particular social interaction according to which schema is primed by that situation (Hong, Chiu & Kung, 1997). Applying this framework, Sanchez-Burks et al. (2003, Study 4) surveyed a group that had been exposed both to PRI in the U.S. and East Asian cultural imperatives, namely Thai-American biculturals. In this study, the organization, its location and the population were held constant. Bilingual Thai employees completed the indirectness survey after being primed either for work

(by having them think of a specific co-worker in relation to the survey questions) or for non-work (by having them think of an acquaintance from outside work). This manipulation was crossed with a "prime" for either American culture or Asian culture. When primed for East Asian culture, Thais reported an equal preference for indirectness inside and outside the workplace. However, when primed for American culture, Thais reported a preference for less indirectness at work than outside of work – a pattern that mirrors the American samples in their previous experiments.

Together, these communication experiments within and across cultures show that American PRI leads to a preference for direct workplace communication with indirectness appropriate only after closing time. Throughout East Asia, going to work entails as much, if not more, sensitivity to the social emotional dimension of interpersonal communication. The result for cross-cultural communication in organizations is akin to ships passing in the night; the consequences, visible by morning.

INTERGROUP PREJUDICE & CULTURAL FULFILLING PROPHECIES

Understanding the nature of intercultural contact remains as interesting for organizational scholars today (Brief, 2000; Chatman et al., 1998; Jehn, Northcraft & Neale, 1999; Polzer, Milton & Swann, 2002) as it was for the ancient Greeks who provided the first written accounts of diversity from their observations of trading across cultures on the shores of the Black Sea (Ascherson, 1996; Herodotus, 2003). The collection of faultlines (Lau & Murnighan, 1998) held responsible for the range of negative intergroup dynamics associated with diversity in organizations commonly focus on the demographic features of individuals (ethnicity, nationality, age, gender, tenure).[2] This form of diversity is posited to give rise to factors including in-group favoritism, implicit and explicit ethnocentrism, and competition for scarce resources (for reviews of this literature, see Hirschfeld, 1996; Sidanius, 1993; Stephan, 1985; Tajfel, 1982; Thatcher, Jehn & Zanutto, 2003; Williams & O' Reilley, 1998; Zanna & Olson, 1994) that in turn result in conflict, negative intergroup competition, turnover and absenteeism (Garza & Santos, 1991; Pelled, 1996; Tsui, Egan & O'Reilly, 1992).

The differences that have been purported to make a difference, however, traditionally overlook cultural variation in assumptions about appropriate relational styles (Fiske, 1993; Vodosek, 2000). Indeed, there is a surprising disconnect between scholarship on diversity and culture in organizational research. Surprising because of the natural connection between understanding the consequences of

intercultural contact and understanding the psychological nature of the cultural differences that may contribute to these consequences. Rather than disregard the influence of demography, a cultural psychology perspective provides opportunities to examine their mutual and relative influence on intergroup relations. A set of cultural field experiments on work team prejudices reported by Sanchez-Burks, Nisbett and Ybarra (2000) demonstrate the potential for this more integrative perspective.

As with PRI in American society, cultural styles can be conceptualized in terms of relational schemas, activated by situational cues. For Americans, settings presumably activate either a task-focused schema (work) or a social-emotional schema (outside work) but not both simultaneously (Sanchez-Burks et al., 2003). In contrast, a work setting presumably activates both task and socio-emotional schemas for Latinos (i.e. consistent with a *simpatía* script, DeVoe & Iyengar, 2004; Diaz-Guerrero, 1967; Traindis, Marin, Lisansky & Betancourt, 1984). One of the consequences associated with relational schema processes is that people show a marked preference for social interactions that unfold in a manner congruent with their schema (Baldwin, 1992; Wilson & Capitman, 1982). For example, imagine a software engineer, Jesse, is given an option between two teams that he will work closely with for his next project assignment. He is more likely to choose one that he believes shares a work style consistent with his – all else being equal. Alas, the dilemma for Jesse and most others in this situation is that all else is rarely equal. Imagine also that Jesse has a preference to work with people who share a similar ethnic background, as would be expected from research on social identity theory and the similarity-attraction bias (Chatman et al., 1998; Chatman & Flynn, 2001; Pelled, 1996; Williams & O' Reilley, 1998). The option of working with an ethnically congruent team that also works in a schema consistent manner would be an attractive option indeed. However, what would Jesse do when presented with the decision to work with one team that shares his ethnic background but not his cultural style versus work with another team comprised of only ethnic-outgroup members who shares his cultural style?

This is the dilemma Anglo-Americans faced in a field experiment that pitted congruence in cultural style against congruence in ethnicity to examine which was more important in people's decisions when committing to a four-month team project (Sanchez-Burks, Nisbett & Ybarra, 2001). Individuals in this study listened to two brief audio-recordings of a meeting from each team. Half listened to an Anglo-American workgroup that was strictly task-focused ("Task" Relational Style) and a Latino workgroup that combined a task focus with an expressive emphasis on establishing and maintaining interpersonal harmony ("Task + Interpersonal" Relational Style). Anglo-American participants showed a strong in-group preference; almost 90% choose to work with the

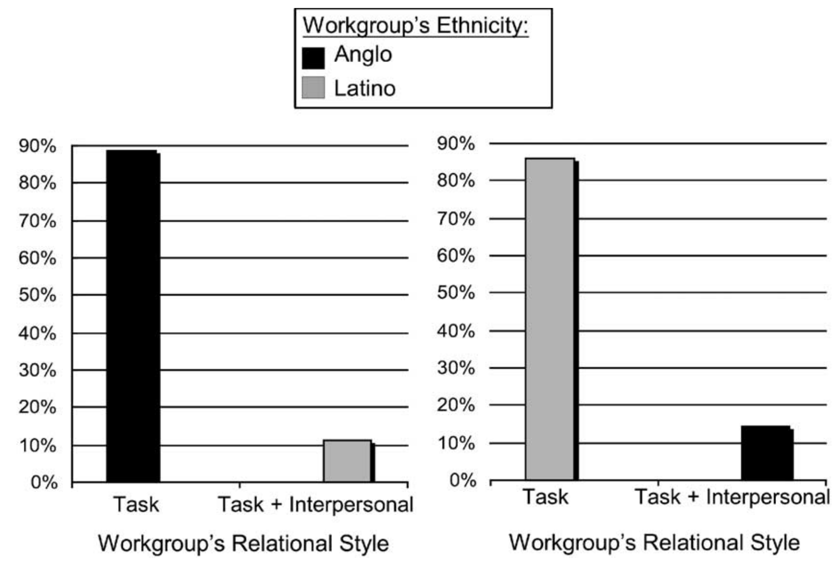


Fig. 3. Percentage of Anglo-Americans Choosing to Work with One of the Two Workgroups. *Note:* Adapted from Sanchez-Burks, Nisbett and Ybarra (2003).

Anglo-American workgroup over the Latino workgroup (see Fig. 3, Panel A). Whether this preference was driven by ethnic biases *per se* or by a bias for schema congruent workstyles was examined in a second condition (Panel B) in which it was a choice between a Latino task-focused workgroup and an Anglo-American task and interpersonal oriented workgroup. Remarkably, over 85% of the Anglo-Americans given these two options preferred to work with an ethnic out-group rather than an in-group when this meant joining a task-focused group over a socio-emotional oriented (Task + Interpersonal) workgroup (see Fig. 3, Panel B). In other words, cultural style preferences were far more important than ethnic in-group preferences.

These results highlight the importance of understanding the relational mental models people use to interpret workgroups. Moreover, they demonstrate that what passes for inter-group prejudice may sometimes be nothing more than a preference for a certain relational work style. Given that in daily life, ethnicity can be confounded with relational style (i.e. people behave in ways consistent with the norms and practices of their respective cultures); it may be difficult to assess, for example, whether a manager who overlooks a minority employee for a promotion does so because of an ethnic bias or a relational style bias. Although the negative consequences are the same, the reason, and thus the antidote can differ.

According to these results, focusing too narrowly on demographic characteristics as the source of minority disadvantage runs the risk of missing the underlying mechanism of the prejudicial behavior (i.e. relational style incongruence). The methods used to measure cultural schema differences in these studies further show that while cultural group membership may be a heuristic for cultural differences in relational style, it is not as powerful of an indicator as more direct cognitive measures of these processes.

These biases are also revealed in how Americans compared to Mexicans reason about team process improvement strategies. In another study, Mexicans from Guadalajara and Anglo-Americans living in the Midwest watched videos of workgroup meetings and then provided suggestions for how the workgroups could improve upon their work process (Sanchez-Burks et al., 2001, Study 1). Mexicans argued that improvements would result from an increase in both a task and social-emotional focus. For Americans, the majority believed an increased task focus would be beneficial whereas a social-emotional focus would be detrimental.

In the U.S., maintaining a task focus is not perceived as a way to suppress interpersonal harmony, but rather as an effective strategy for ensuring smooth and productive social interactions within the workplace. In this way, PRI prescriptions for impersonal work relations take on a sensibility as the natural manifestation of an efficient work style, not a culturally unique tradition. Indeed, advice for managing intercultural negotiations makes the argument that the "practical" solution for dealing with cultural differences is to create a "culture-neutral" environment where unique social traditions are put aside and all attention is focused on the common interest, namely the task (Zartman & Berman, 1982). The studies described in this article show that such beliefs about proper relational work styles are far from culture-neutral and instead reflect a distinct and unique American cultural tradition steeped in PRI.

The relative influence of cultural biases over ethnic biases has implications in other research domains affected by intergroup contact, for example, leader-membership exchange theory (Graen, Novak & Sommerkamp, 1982; Paglis & Green, 2002; Sherony & Green, 2002). According to this research, superiors rather quickly differentiate those subordinates with whom they will form mentoring-type relationships from others under their responsibility. Demographic group biases have been implicated as a factor that influences these decisions, whether they are made implicitly or explicitly. To the extent that group membership and relational style do not overlap completely, the present analysis suggests that supervisors' early preferences for subordinates who share their ethnicity, gender or other affiliations, might over time become aligned with people who share their relational style regardless of ethnic congruence.

Interethnic Interviews and Cultural Incongruence Prophecies

The issue of intercultural relations in organizations takes on societal significance when its outcome affects minority access to jobs and career mobility. A situation ripe for this possibility is the interethnic interview. Unfortunately, overt and aversive racism continue to remain a factor here as in other organizational contexts (Brief, 2000; Dovidio & Gaertner, 2000; Murrell, Dietz-Uhler, Dovidio & Drout, 1994; Word, Zanna & Cooper, 1974). Despite well-intentioned organizational and governmental efforts, there persist instances where an interviewer's ethnic biases create a situation of disadvantage for minority candidates. These biases need not be conscious or intentionally applied to have an influence (Dovidio, 2000; Murrell, Dietz-Uhler & Dovidio, 1994). As revealed in the classic experiment on interethnic interviews conducted by Word, Zanna and Cooper (1974), these non-conscious biases can be manifested in subtle unintentional ways; for example, as when Anglo-American interviewers ask fewer questions, remain more physically distant and make less eye contact during interviews with Black candidates versus other Anglo-American candidates. These differences are understood as a self-fulfilling prophecy whereby the interviewer's ethnic biases negatively and non-consciously affect the performance of the candidate. Thus, both explicit and implicit biases regarding differences in ethnic group membership can sabotage a minority candidate's ability to perform their best in these situations.

The culture and cognition dynamics described in this article, however, suggest that minority disadvantage can emerge in these intergroup situations even in the absence of overt or implicit ethnic biases. From this perspective, mere incompatibilities in the relational schemas used by two cultural groups create the conditions for what might be referred to as a *cultural incongruence prophecy*. Whereas a self-fulfilling prophecy describes how a target's behavior can be influenced by an evaluator's schema regarding the target's ethnicity, a cultural incongruence prophecy describes how a target's behavior can be influenced by incompatibilities between the evaluator and target's *relational* schemas.

Evidence for the idea that aside from ethnic bias, a cultural incongruence prophecy can create minority disadvantage comes from an interethnic interview field study conducted within the headquarters of a Fortune 500 company (Sanchez-Burks & Blount, 2005). The theoretical rationale for the study combined two empirical literatures: research on cognitive antecedents and consequences of non-conscious behavioral mimicry (Chartrand & Bargh, 1999; LaFrance, 1979; Scheflen, 1964; Van Baaren et al., 2003) and research on culture and relational schemas used in work situations (Sanchez-Burks, 2002; Sanchez-Burks et al., 2003; Sanchez-Burks, Nisbett & Ybarra, 2000; Triandis et al., 1984). Prior research shows that people have a tendency to non-consciously mirror others' behavior in

social interactions and to have a more positive subjective experience of rapport as a function of mimicry exhibited by interaction partners (Chartrand & Bargh, 1999; Cheng & Chartrand, 2003; LaFrance, 1979).

Both the enactment of mimicry and its effect on perceived rapport are moderated by attentiveness to relational cues (Van Baaren et al., 2003). Sanchez-Burks (2002) has shown, however, that cultural groups differ in their attentiveness to relational cues within work settings. Consistent with a PRI orientation, Anglo-Americans, in particular, are less attentive to relational cues and as a result engage less in behavioral mimicry in work situations than in non-work social situations. Latinos, however, remain highly attentive to relational cues across these situations (DeVoe & Iyengar, 2004; Sanchez-Burks, Nisbett & Ybarra, 2000; Triandis et al., 1984).

Applying these findings to the perspective of a candidate in an interview situation, Sanchez-Burks and Blount (2005) reasoned that Anglo-Americans' relative inattentiveness to relational cues at work would reduce their vulnerability to the negative experience of not receiving behavioral mimicry in a social interaction. Conversely, Latinos' greater attentiveness to relational cues would increase their susceptibility to the negative effects of not receiving mimicry. In the highly evaluative quality of the interview situation, presumably one that enhances the importance of experiencing rapport with an interaction partner (i.e. the interviewer), the performance of Latinos more than Anglo-Americans was argued to be contingent on interviewer mimicry. In this study, Anglo-American and Latino mid-level employees of a large multinational firm participated in a mock interview conducted in the headquarters' office suite. The participants were randomly assigned to a version of a mock interview in which the interviewer mirrored or did not mirror the gestures, mannerism and posture of the naïve applicants. An independent panel of American male and female professional recruiters and interview coaches, blind to condition, later evaluated the candidate's performances using videos of the interviews. These judges evaluated each interviewee's performance on seven specific dimensions (assertiveness, impact, motivation, verbal communication skills, body language, overall impression), chosen based on a priori conversations with the judges and other HR managers. This operationalization of performance was intended to model evaluations that typically occur in company recruiting interviews.

The results of their study show the relative importance of non-verbal rapport for Latino and Anglo-American applicants and its role in interview situations more generally. The researchers found that overall, the absence of interviewer mimicry tended to negatively affect all participants (thus, Anglo-Americans relational focus at work may be reduced but it is not eliminated). However, they also found that the performance evaluations of Latinos as compared with Anglo-Americans were substantially more contingent on the non-verbal behavior of the interviewer.

Latinos were rated more poorly in the non-mimicry interviews. In addition, Latinos reported higher levels of anxiety and lower levels of self-esteem after the interviews with no mimicry compared to those with mimicry.

In considering the implications of this study for naturally occurring interviews, it is important to note that the interviewer was specifically trained to refrain from mirroring half of the candidates. The relative impairment of Latino performance and subjective well-being would not be cause for concern if it were not for prior studies showing that an Anglo-American is naturally unlikely to mirror candidates (Sanchez-Burks, 2002; Van Baaran et al., 2003). Together, it suggests that mere differences in cultural cognitions used by an Anglo-American interviewer and a Latino candidate (e.g. schemas that reflect PRI vs. *simpatía*) can adversely influence the performance, hence success of Latino candidates. Thus, this cultural schema difference, even in the absence of any ethnic prejudice, can result in an outcome that appears discriminatory. The solution may require an approach that increases the awareness of these non-conscious processes among recruiters and candidates. Interviewers may then be able to "get it out in the open" that such influences exist with the hope that this will help inoculate the interaction against the non-conscious effects. The candidate might then begin to correctly attribute unwarranted anxiety and remind the interviewer to be vigilant to unintended messages.

This cultural perspective on inter-group dynamics does indeed complicate an already complex issue. In addition to the powerful and often unnoticed negative consequences of cognitive processes directly tied to in-group and out-group biases, mere incompatibilities in relational cognitions provide additional challenges for managing diversity in organizations.

The unique influence of cultural schemas on the nature of intercultural contact revealed by these and other studies from the emerging sub-field of culture and cognition research open new avenues of research (DeVoe & Iyengar, 2004; Earley, 2002; Gelfand & Dyer, 2000; Morris, 2000). Consider, for example, the innovative study on diverse team dynamics conducted by Polzer and Swann (2002). Their research provided evidence that the prevailing dilemma over whether teams should focus on a superordinate identity or focus instead on the unique identities of each team member overlooked important variation in how individuals think about their own identities. In their study, the best predictor of high performance among diverse teams was not whether individual identities were highlighted or surrendered to the team identity but the level of accuracy of team members' perceptions of how others saw them. Success in diverse teams appears to require of its members' attention to others.

Polzner and Swann's study show the benefits of using relational schemas that encode task and relational information in work settings – a tendency at odds with

a PRI orientation that restricts attention to relational concerns. Thus, exposure to PRI may serve as a moderator of such congruence between observer and target identity perceptions with greater exposure associated with less congruence. This would lead to the prediction that Americans in general, and Anglo-Americans in particular, are least likely to notice the cues required to achieve congruence in diverse teams. If this is indeed the case, then combining PRI with the work of Polzner and Swann (2002) suggests an irony in that within the society most pressed with coordinating across an increasing mosaic of cultural diversity (i.e. the U.S.) persists a relational ideology that works against the very process necessary to achieve this coordination.

CONFLICT, TRUTH AND ASSUMED CONSEQUENCES

Two recent reviews of conflict research reaffirm the challenges inherent in collaborative endeavors. The divides and tensions that influence a group's ability to succeed in their task objectives broadly reflect two forms of conflict: task-oriented conflict and relationship conflict (Coser, 1956; Jehn, 1994, 1995). The presence of task conflict signals disagreements in ideas and opinions about the work itself. Relationship conflict focuses on disagreements and dynamics unrelated to the task and signal interpersonal tensions and personality clashes that arise from incompatibilities among group members. Although scholars disagree (in a task-focused manner) about the conditions under which task conflict might be beneficial to workgroups (e.g. De Dreu & West, 2001; Jehn, 1994; Jehn, Northcraft & Neale, 1999; Lovelace, Shapiro & Weingart, 2001), scholars express a rare unanimity that relationship conflict always has negative consequences (e.g. Carnevale & Probst, 1998; Jehn, 1995; Simons & Peterson, 2000).

This consensus received an empirical seal of approval in a recent meta-analysis (De Dreu & Weingart, 2003) showing a robust negative effect on every individual and group outcome measured, including productivity, consensus building and satisfaction. Moreover, the ubiquitous harm posed by relationship conflict was recently captured in Jehn and Bendersky's (2003) comprehensive contingency model that outlines the conditions under which each type of conflict will have a positive or negative effect. In their model, there is not a single situation imagined in which relationship conflict might avoid having a negative effect on workgroup dynamics and outcomes.

Given the bleak outlook for those workgroups likely to experience relationship conflict, it should be rare to encounter examples where people would not recognize how such conflict reliably limits a team's ability to succeed. Maintaining such disbelief would require a person to give far less weight to relational concerns

over task concerns in estimating the factors that predict project performance. Imagine, for example, being in the process of choosing a team to join for your next project assignment and having the dilemma of having an offer to join a workgroup highly likely to experience relationship conflict but whose members collectively have the best knowledge and technical skills required for success on task-specific objectives. Given the presence of highly desired talent and skill in the team, the decision to join this team rather than another will depend on the importance assigned to interpersonal dynamics regarding its likely effect on task performance. If interpersonal discord is believed to sink even a highly talented team – as described in the empirical literature – then the level of talent is a mute point. Conversely, for those who believe that interpersonal harmony may be nice but not a prerequisite for success on task objectives, the offer is an attractive opportunity. Yet, how likely is this sentiment to be encountered given the empirical evidence challenging its logic?

As described in this article, diminishing the importance of relational concerns in such work settings is the hallmark of PRI and its influence on American workways. Applying PRI theory to beliefs about conflict suggests that such a sentiment would actually appear quite rational for Americans. Neuman and colleagues (2005) recently examined this possibility and other hypotheses derived from PRI theory. They reasoned that PRI theory's focus on the relational dimension of work would restrict its influence to beliefs about conflict specifically to conflict in the interpersonal domain (i.e. relationship conflict). That is, PRI provides no basis to suspect that Americans would underestimate the influence of conflict outside the interpersonal domain, such as task conflict. This focus on relationship conflict and not conflict in general provides a framework for examining differences within the U.S. (i.e. beliefs about relationship versus task conflict). Moreover, it suggests that whereas Americans might disagree with Asians about the influence of relationship conflict, they would not necessarily disagree about task conflict. This suggests a pattern of cultural differences and cultural similarities regarding conflict beliefs: Americans are likely to share with other cultures a belief that task conflict limits team performance but differ in how important relationship conflict is to team performance.

To examine whether these beliefs are unique to conflict concerning relationships and characteristics of Americans in particular, the researchers compared these beliefs to those concerning task-related conflict and to the beliefs held by other cultural groups (i.e. Korean, Chinese and Japanese). A survey of Americans and East Asians assessed their agreement that relationship and task conflict necessarily limits a team's ability to accomplish their task-specific objectives and that to predict a team's likely performance, one would need to know about a member's ability to get along. Across two studies, Americans and East Asians similarly agreed that task

conflict is a roadblock to success on task-specific objectives. East Asians believed this was true also for relationship conflict. Americans, however, did not agree that relationship conflict necessarily affects team performance on task objectives. Moreover, when given the opportunity to join a highly talented team that will likely experience relationship conflict, Americans were twice as likely as East Asians to state that they would join such a team.

The results of these studies provide evidence that Americans have intuitions about the consequences of relational conflict that departs from: (a) what empirical studies demonstrate to be the case in actual workgroups; (b) their beliefs about task-related conflict; and (c) beliefs about conflict common among other cultural groups. This divergence from empirical reality, which stems from underestimating the importance of relational dynamics at work, also serves as a specific example of the more general difficulty people can have in understanding what effects are actually operating in workgroups (Staw, 1975). Finally, the insights of the research also complement the work of Gelfand and others showing how subjective construals of conflict, referred to as "conflict frames," are shaped by prevailing cultural ideologies (Gelfand et al., 2001, 2002; Pinkley, 1990).

American Professionalism

To be a good, valued person in a society is to convey perceptions of one's self that are congruent with its beliefs, values and practices. Normative violations come in many forms, displaying inappropriate symbols or making a reference to a taboo subject, for example, and they exact a toll on the violator's image in the eyes of others. In organizations, this cultural imperative is also neatly packaged in the concept, "be professional." It's a slogan often stated as if it were as explicit as it is laconic. The recipient of this advice is expected to recognize their breech from accepted norms and adjust accordingly. Idiosyncrasies are likely to exist between industries, organizations and even roles within American organizations. Yet, might these variations regarding what it means to be considered professional resonate with a common theme such as the PRI directions for maintaining a work/non-work divide and minimizing references to one's personal life? If so, how might this implicit assumption be shown to exist?

Anthropologists have argued that among the building blocks of culture are historically transmitted patterns of meanings embodied in symbols – a system of inherited conceptions expressed in symbolic form (Geertz, 1973; Ortner, 1973; Sperber, 1996). This argument suggests that meanings of professionalism should be manifested through symbolic cues, for example, in the artifacts one displays in their office. This reasoning would be consistent with the work of organizational

scholars who have more recently begun to show how employees use symbols, such as dress and décor, to signal particular identities (Elsbach, 2003, 2004; Rafaeli & Dutton, 1997). Thus, both the attempts to convey identities and interpretations of other's identities rely on symbols.

A symbolic manifestation of PRI could be narrowed to those symbols that are tied specifically to a person's work versus personal life. If PRI has a role in shaping American's schema of professionalism, then restricting the amount of symbolic references to one's personal life (e.g. displaying a child's finger paintings, talking about one's current girlfriend) ought to be a significant differentiator between those considered or not considered to be professional. To examine these ideas, Heaphy and her colleagues (2005) developed a paradigm to indirectly assess people's schema of a professional and unprofessional person's workspace. In one study, the researchers collected examples of what cubicle-dwelling employees might have in their workspace. Items included common work-related things, such as a stapler, file folder, award certificate and items that referenced one's life outside the workplace, such as a family photo or a child's drawing. Images of these items were put on self-adhesive stickers and given to mid-level managers, along with a large image of an office cubicle containing only a desk and empty shelves. Managers were given a description of the person who occupied this cubicle: a middle-aged, married employee with two children who has a good performance record. Half were also told this person was considered professional, the other half were told this person *was not* considered professional. The task was to construct what they believed this person's office looked like using the images on the stickers. Thus, one might place a stapler on the desk, a photo on a shelf, a calendar on the wall, et cetera. The paradigm was designed to measure people's mental model of the symbolic markers of professionalism by having them assemble what they believe the office actually looks like for the target person.

The researchers found that the difference between a professional and unprofessional office followed a "20% rule." Someone who is considered professional restricts the number of symbols from their personal life – children's crayon drawings, vacation photos, even sports paraphernalia – to fewer than 20% of what they display. This pattern was found for men and women mangers from a wide range of industries and did not vary whether the target was described as "Eric" or "Stephanie." The link between unprofessionalism and blurring the work/non-work divide is consistent with the tenets of PRI. However, this association could be a natural and universal feature of professionalism in organizations and thus does not require a culture-specific theory to account for the remarkably low threshold. To examine this possibility, Heaphy and her colleagues compared the responses of managers born and raised in the U.S. to those who varied in the amount of

time they had lived in the U.S. (from about one to 30 years). The results show that the link between professionalism and the amount of personal content in one's office only becomes obvious with increasing exposure to the U.S. There was a linear function between time spent in the U.S. and differentiating professional and unprofessional by the proportion of personal content displayed in the office. The pattern of results shows that PRI is evident in the symbolic markers used by others to differentiate the professional from the unprofessional. Moreover, this differentiator appears culturally bound and specific to the meaning of "American professionalism."

The PRI work/non-work distinction, even as part of the mental model of what it means to be professional, is culturally important only to the extent that blurring this distinction can be detrimental to one's career – that is, if it has consequences. In a second experiment, Heaphy and her colleagues examined this possibility by measuring how even subtle deviations from this ideology might influence one's likelihood of getting a second interview by corporate recruiters (Heaphy et al., 2004, Study 2). In this study, several corporate recruiters of MBAs from top business schools were asked to evaluate job application materials of one of four candidates. The materials included an essay about what the candidate would say in an initial client meeting to build rapport with the client. PRI presents a dilemma regarding how one should build personal rapport yet not be too personal. This dilemma was operationalized by having half of the candidates include in their essays statements about how they try to look for books in the client's office they had read and say, "Oh, I also read that book last year" versus "Oh, I also read that book. My girlfriend recommended it to me." In addition, the candidate either mentioned they might say "What a nice office you have" versus making reference to a photo on the client's desk and saying "What a nice family you have."

This difference, regardless of how subtle or minor, made all the difference in whether recruiters said they would invite the candidate for a second interview. Candidates whose attempts to build rapport would include such references to family or personal relationships were significantly less likely to be invited back for a second interview. The study reveals the role of institutions in selecting against those that deviate from the PRI schema of professionalism and thereby works to reinforce and reproduce particular cultural ideologies. Together, these two experiments suggest that to be professional in American organizations is, in part, to refrain from integrating work and personal spheres of life. Future research may show that it also includes a broader emotional detachment. As would be consistent with a PRI orientation, the prototypical American professional may indeed be one who maintains a polite but unsentimental impersonality in their office and organization.

CONCLUSION

This article has identified as a cross-cultural anomaly, American patterns of giving diminished importance to affective and relational concerns in work settings and described the construct PRI to address the social-historical roots and the contemporary social-cognitive nature of this anomaly. Empirical evidence shows that PRI beliefs are associated with exposure to cultural contexts influenced by ascetic Calvinism such as in the U.S. The link to Calvinism explains between cultural differences (e.g. U.S. versus China, Mexico and Korea) and within cultural differences (e.g. European-Americans versus Mexican-Americans). The context-specific nature of PRI further provides a framework for understanding the conditions under which to expect cultural similarities (outside work settings) and cultural differences (in work settings), with the unfortunate, but important, insight that cultural differences in relational sensitivity become pronounced in work settings.

Theory about PRI and the evidence for its key propositions provide further validation for Weber's argument that traditional religious values have an enduring influence on the institutions of a society (cf. Bellah et al., 1996; Bendix, 1977; Inglehart & Baker, 2000; Lipset, 1996). In this way, PRI provides a psychological model that compliments a vibrant sociological research stream on what is referred to as "institutional imprinting." This research shows how institutions, like relational work styles, are shaped by the socio-historical context in which they are formed (Baron, Hannan & Burton, 1999; Marquis, 2003; Stinchcombe, 1965).

The nature of PRI's influence in American culture was shown to affect the relational schemas people use to navigate affective and relational concerns in work compared to non-work settings. PRI also affects attention to and memory for social-emotional cues, counterfactual reasoning about the relationship between a task and relational focus at work and non-conscious behaviors tied to relational sensitivity. The social cognitive framework of PRI is consistent with increasing calls by scholars for a schema-based approach to understanding how culture shapes organizational behavior (Earley, 2002; Morris & Young, 2002). This "culture and cognition" movement reflects the need for frameworks that specify the psychological mechanisms through which culture shapes behavior and the conditions under which to expect cultural differences versus cultural similarities (Brockner, 2003; Peng, Nisbett & Wong, 2002).

Contribution to Issues in Organizational Behavior

This article reviews the contribution of PRI to several issues in the organizational literature, including workgroup diversity and prejudice, communication,

interethnic interviews, beliefs about conflict and notions of professionalism. The PRI construct provides novel insights in these areas, for example, how intergroup prejudice can occur even in the absence of in-group favoritism based on social categories. Despite the different topics, paradigms, and approaches in the research described, they converge on the idea that consistent with a PRI orientation, American workways can be characterized by a divide between work and non-work settings whereby affective and relational concerns are restricted at work. The usefulness of PRI for theory building and empirical analysis extend to any organizational behavior dynamics affected by attentiveness to emotional and relational cues.

Efforts to explain particular cultural phenomena reasonably raise questions about how unique it is to one society. The various research streams described in this article juxtapose American patterns with those in Latin American and many East Asian societies. That the U.S. differs in one particular manner from these very unique and diverse cultures indeed suggests a pattern that scholars since Crevecour, Tocqueville and Weber have referred to as "American exceptionalism." Some of the most compelling evidence in support of this exceptionalism comes from the World Values Survey (WVS) described by Inglehart and Baker (2000). In this 65-country survey, there is a clear trend for industrialization to go hand in hand with a move away from traditionalism to a more secular worldview – except for the U.S.! In contrast to its presumed counterparts in Northern Europe, the U.S. is moving toward more, not less, traditional religious values. Despite shared religious ties between the U.S. and many Northern European countries, Baker (2004) argues that "many of the people who traveled to these American shores were systematically different from those who stayed behind in the old countries and set up fundamentally different practices and institutions." In his book entitled, "*American Exceptionalism*," Lipsett (1996) makes a similar point and reviews a cornucopia of evidence across diverse fields to illustrate the uniqueness of American patterns. All of this shows that the U.S., as with other cultures, possesses a unique, rich cultural tradition.

Countering this argument of cultural divergence in relational work patterns, others have argued that work styles are converging as the result of increasing globalization (e.g. Birnbaum-More & Wong, 1995; Zartman & Bernman, 1982). This argument stems from the observation that managers around the world are often educated within American business schools and have extensive experience in multiple cultural contexts. Presumably, this cross-fertilization reduces cultural variation and creates a universal work style. This globalization argument would suggest that PRI would have little influence in the cross-cultural dynamics reported in these studies and any differences that emerge should be smaller in work settings. Variations in relational style that may exist, according to this view, are or, currently will be, more or less trivial.

The alternative view suggested by the various research streams discussed in this article challenge this assumption. The implications of this research might aptly be summarized through the following analogy. Oceans, in a way, are like the diversity of people that inhabit their respective shores. From the Pacific to the Indian, they share a great deal in common, and yet have characteristics unique to each one. To focus on superficial characteristics – all oceans come in shades of blue-green – is to ignore more subtle, nonetheless powerful differences that distinguish them: the movements of their currents, the variation in their tides; differences that are essential to recognize if one wishes to navigate across them. The research described in this article offers insights into several such subtle differences.

NOTES

1. Ironically this item is one of the stronger predictors of performance outcomes! (see Buckingham & Coffman, 1999).

2. Noteworthy exceptions include studies conducted by Jehn and colleagues (Jehn & Thatcher, 1997; Jehn, Northcraft & Neale, 1999) that include differences or perceptions thereof concerning organizational values.

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ISOMORPHISM IN REVERSE: INSTITUTIONAL THEORY AS AN EXPLANATION FOR RECENT INCREASES IN INTRAINDUSTRY HETEROGENEITY AND MANAGERIAL DISCRETION

Donald C. Hambrick, Sydney Finkelstein, Theresa S. Cho and Eric M. Jackson

ABSTRACT

DiMaggio and Powell (1983) argued that organizations, in their quest for legitimacy, are subjected to isomorphic pressures which produce increasing similarity among peer organizations over time: "Once an organizational field becomes well established ... there is an inexorable push toward homogenization." Yet, in contradiction to this "iron cage" hypothesis, many industries became more heterogeneous, not more homogeneous, in their profiles during the latter decades of the twentieth century, particularly between about 1980 and 2000 (at least on the American landscape). Why didn't "inexorable homogenization" occur? We argue that DiMaggio and Powell were correct about the forces that give rise to isomorphism but failed to anticipate several major macrosocial trends that caused those

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forces all to move in directions that diminished, rather than accentuated, isomorphism. For example, DiMaggio and Powell argued that ambiguity about goals will propel isomorphic change; but the goals for publicly-traded U.S. corporations became less ambiguous. They hypothesized that the fewer the alternative organizational models in a field, the faster the rate of isomorphism; but the array of organizational models increased significantly. We empirically illustrate the increased heterogeneity that occurred within American industries by tracing the trend toward divergence – on several dimensions of strategy and performance – within the steel industry. An analysis of 18 additional industries similarly yields far more evidence of increased heterogeneity than of increased homogeneity over the latter decades of the twentieth century. We go on to argue that reduced isomorphic pressures not only engendered greater intraindustry variety, but also increased managerial discretion, which contributed greatly to the romanticization of CEOs that occurred during the period 1980–2000.

Consider two seemingly unrelated puzzles about American business in the closing decades of the twentieth century. First, at odds with DiMaggio and Powell's (DiMaggio & Powell, 1983, p. 148) influential assertion that "organizations are becoming more homogeneous," many, and perhaps even most, industries became more heterogeneous over the period 1980 to 2000. Indeed, it is relatively easier to think of industries that exhibited increased variety (e.g. stock brokerage, apparel retailing, movie production companies, radio stations, and cosmetics) than to think of industries that exhibited increased uniformity. Second, at the same time that institutional investors and governance reformists were placing corporate boards under much greater scrutiny (Useem, 1996) and implementing significant changes in the composition and processes of boards in order to enhance their vigilance (Ward, 1997), CEO pay escalated dramatically and far out of proportion to increases in company size and profits (McLean, 1998).

In this paper, we will attempt to provide a resolution of these two puzzles and, more importantly, propose that they are not unconnected, but rather stem from a common set of forces. In brief, we will argue that over roughly the period 1980 to 2000, several macrosocial factors all moved in directions that, according to D&P's own theory, diminished the isomorphic pressures on firms. Indeed, we will assert that all six "field-level" isomorphic forces identified by D&P generally weakened on the American corporate landscape. As a result, firms became more free to differentiate themselves from others. Within many industries, there was greater variety – instead of greater similarity – in 2000 than 20 or 30 years before. We provide systematic evidence of increasing divergence in the U.S.-based steel

industry, as well as in a wide array of other industries, supporting our assertion that heterogenization prevailed over homogenization in the closing decades of the twentieth century.

We further argue that reduction of isomorphic pressure, in turn, brought about enhanced managerial discretion, or latitude of action, for corporate executives (Hambrick & Finkelstein, 1987). As long as firms were greatly constrained by industry norms and conventions, CEOs were largely interchangeable; "The Man in the Gray Flannel Suit" was an apt metaphor. With a diminishment of isomorphic pressures, however, CEOs could exert their imaginations, varying aspirations, and differing experiences to direct their firms toward distinctly divergent profiles. This increase in discretion, coupled with concomitantly greater organizational variety, meant that executive effects on organizational outcomes – both favorable and unfavorable outcomes – became more pronounced. That is, managers mattered more to organizational outcomes in the latter years of the century than in the years before (Lieberson & O'Connor, 1972). Boards of directors and business observers, witnessing this increase in executive effects, came to believe that CEOs varied widely in their wherewithal. These parties also came to inject these beliefs about executive potency into their *ex ante* and *ex post* assessments of CEOs. Accordingly, there were dramatic increases in CEO pay, external hiring of CEOs, dismissal rates of CEOs, and the overall romanticization of CEOs (Meindl, Ehrlich & Dukerich, 1985) during this period.

Our logic, portrayed in Fig. 1, not only opens up a new way of thinking about isomorphic pressures on firms, but also links two fundamental theoretical constructs – isomorphic pressure and managerial discretion – to each other. Our paper, in turn, identifies the influence of these two constructs on several prominent phenomena on the recent business scene – phenomena which have generally eluded theoretical explanation. The ideas we lay out are eminently testable, and we hope they serve as impetus for future empirical inquiries.

Before proceeding, we need to clarify the limits of our arguments. First, we are not proposing a strict timeframe for the period we will describe, which is why we refer variously to "roughly 1980 to 2000," "the closing decades of the century," and "recent years." The trends we will describe did not commence as a result of a single triggering event; nor, on the other hand, is it clear whether the trends have yet ceased. Second, and relatedly, we do not claim that the 1980–2000 trend toward heterogenization will continue indefinitely; in fact, the recent scandals that have rocked the American business scene may have already caused a resurgence of isomorphic pressures on companies and their executives. Third, we do not propose that all industries became more heterogeneous during the 1980–2000 period. Some clearly became more homogeneous, due to extreme consolidation (e.g. railroads), system interdependencies that discouraged variety (e.g. personal

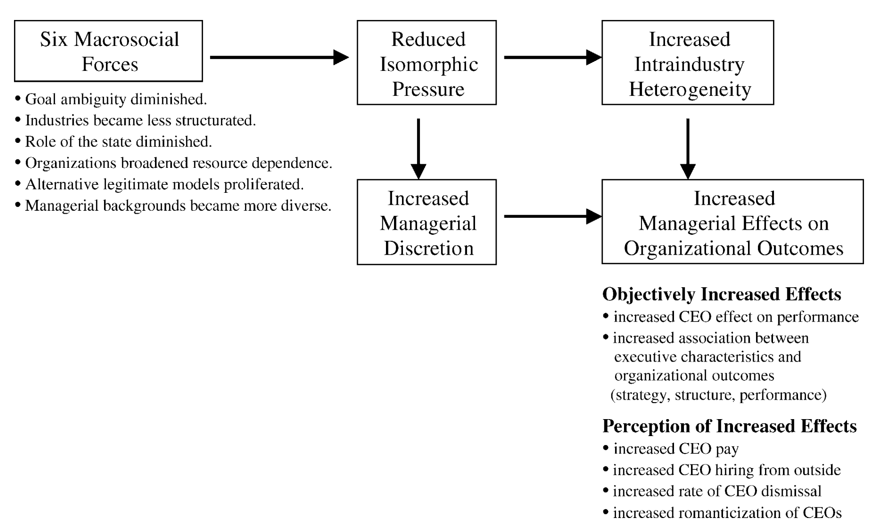


Fig. 1. A Model for Explaining Intraindustry Heterogenization and Increased Managerial Discretion, 1980–2000.

computers), and, in some cases, localized institutional pressures that accelerated in the directions envisioned by D&P. Fourth, we do not contend that the recent trend toward heterogeneity was due solely to diminished isomorphic pressures. Other factors could have been at play as well, including the possibility that some industries became increasingly dominated by a handful of large firms, which, according to resource partitioning theory, causes smaller firms to adopt an array of deviant, specialized forms that suit narrow niches (Carroll & Hannan, 2000). Fifth, we do not assert that our portrayal of the 1980–2000 period is necessarily accurate for non-U.S. settings. Finally, we acknowledge our use of argument, illustration, and partial evidence, rather than comprehensive empirical examination, to build our line of thought. Although our assertions are ultimately testable, they are of such a scope as to require data collection on numerous fronts, well beyond what is feasible in a given paper.

DIMAGGIO AND POWELL EXPLAIN INCREASED ORGANIZATIONAL VARIETY

Models of industry evolution are of central interest to sociologists, economists, and strategic management scholars. One of the most influential theories of industry

evolution was set forth by DiMaggio and Powell (D&P) in their 1983 paper, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." They argued that organizations must compete for social success (power and legitimacy) as much as for economic success, and thus are subjected to isomorphic mechanisms, which – if present – produce an increasing degree of similarity among peer organizations over time. As observers of the long Weberian era of organizational rationalization and conformity, there was little question for D&P that isomorphic forces had been present for decades and, moreover, might generally be present: "Once an organizational field becomes well established ... there is an inexorable push toward homogenization" (p. 148). Writing their paper as an antidote to the then-ascending ecological emphasis on organizational variety (Hannan & Freeman, 1977), D&P adopted a stark theme: "organizations are becoming more homogeneous" (p. 148).

Yet, in seeming contradiction to this assertion of an ever-tightening "iron cage," many, perhaps most, industries became much more heterogeneous, not more homogeneous, in their profiles in the 1980–2000 period (As we will discuss momentarily, the majority of studies of isomorphism have adopted the industry as the relevant unit of analysis for observing these processes).

Consider the airline industry. Prompted in part by deregulation (which occurred in a number of industries, including banking, trucking, telecommunications, natural gas, and power distribution), as well as by other factors we will discuss, airlines adopted widely varying strategies and administrative practices. Southwest Airlines emerged as a successful airline in the 1980–2000 period based on rock-bottom prices and no-frills service. In contrast to other major airlines, Southwest flew only point-to-point (rather than in a "hub pattern"); it did not transfer luggage; it did not participate in any national reservation systems; employees worked across job boundaries; and salaries were well below industry averages. Another regional carrier that emerged over the same time was Midwest Express. However, its profile was different still. It had a strategy of serving passengers in a lavish manner. Its planes were equipped with only first-class leather seats; it served gourmet meals on linen tablecloths; and it emphasized personalized service. Because these two airlines competed directly with other, more mainstream airlines, it cannot reasonably be said that they were not part of the airline industry (Carroll & Hannan, 2000; Hay & Morris, 1979); rather, they represented the greatly increased variety that occurred within that industry during that period.

Or consider the steel industry, which we will use as an example throughout our paper. In 1972, Lieberson & O'Connor highlighted the steel industry for its extreme homogeneity, presenting a graph that showed sales of the eight largest steel firms moving in lockstep from 1946 to 1965. Company profits also rose and fell in unison over this period. But by the early 1980s, the profiles of steel firms started diverging

substantially (summarized in Larkin, 1999). Companies varied in their adoption of minimill technology. Some firms sought access to new steel-making technologies and new capital by forming joint ventures with Japanese and Korean steel firms. Firms differed widely in their attention to product technology, with some investing heavily in R&D to find ways to escape commoditization and to match the properties of aluminum and plastics, while others focused strictly on reducing costs for standard products. In 1984, the United States Steelworkers Association agreed to allow firms to negotiate separate contracts with its workers, leading to unprecedented differences in labor costs and practices across firms. If Lieberson and O'Connor's graph of the steel industry were updated, we would expect to see increasingly divergent patterns of sales – but also of profits, R&D intensity, wage and labor practices, executive titles, and numerous other organizational features – between 1980 and 2000. Due to forces we will discuss in depth, we believe that the increased variety observed in the airline and steel industries represented the prevailing tendency in American industries over this period.

Assertion 1. During 1980–2000, more industries became more heterogeneous than became more homogeneous.

What happened? Why didn't "inexorable homogenization" occur in these and many other industries? We will argue that, ironically, it is because D&P were right. D&P developed a set of hypotheses regarding how contextual forces influence the degree of homogeneity within an organizational field. In keeping with their theme, the authors emphasized how increases in these contextual forces would bring about increased homogeneity. What they did not consider, even though it was compatible with their logic, is that *decreases* in these contextual forces would promote *decreased* homogeneity, or heterogeneity, among actors in a field.

After the period D&P wrote, however, several major macrosocial trends – at least in the American business sector – all moved in directions that diminished the contextual conditions that D&P proposed as engendering homogeneity. D&P argued that ambiguity about goals in an organizational field would accentuate the rate of isomorphic change; the goals for publicly-traded U.S. corporations became less ambiguous. They argued that the greater the extent of structuration in a field, the greater the isomorphism; many industries became far less structurated, less well-defined. They proposed that the greater the extent to which members of a field transact with agencies of the state, the greater the push toward isomorphism; most industries significantly reduced their dealings with government agencies. They proposed that dependence upon a single or several similar sources of support for vital resources will accelerate isomorphism; many industries became more varied in their resource dependencies. They hypothesized that the fewer the number of visible alternative organizational models in a field, the faster the rate

of isomorphism in that field; the array of visible organizational models increased significantly. Last, DiMaggio and Powell argued that the greater the similarity of managerial backgrounds in an organizational field, the greater the isomorphism; managerial backgrounds became increasingly diverse in many fields.

Writing when they did, and with their purpose of providing a corrective to the ecological emphasis on organizational variety, D&P portrayed the six field-level forces they identified as moving over time only in one direction – in favor of increased homogeneity. They did not consider the possibility that the forces could move in the opposite direction, away from propelling homogeneity. We will argue that this is what happened, by and large, between 1980 and 2000, in the American corporate sector.

At this point, a clarification of our line of thought is needed. For, even though isomorphic pressure promotes homogeneity, its absence does not, in and of itself, *cause* heterogeneity. Rather, heterogenization is the result of attempts by firms to differentiate themselves in a marketplace (Carroll & Hannan, 2000; Noda & Collis, 2001). Except in cases of cartels or highly orchestrated oligopolies, the achievement of economic profits (beyond the firm's cost of capital) requires differentiation and distinctiveness from others (Hay & Morris, 1979; Porter, 1980). Imitation is a pathway to head-on rivalry and mediocre returns. As Porter noted, "A company can outperform rivals only if it can establish a difference it can preserve" (1996, p. 62). In line with an abundance of prior research on the performance benefits of contingency alignment (e.g. Chandler, 1962; Lawrence & Lorsch, 1967; Miles & Snow, 1978), Porter went on to argue that successful differentiation entails not just one organizational feature, but a host of accompanying features, including functional policies, administrative arrangements, and tactics (a view reinforced recently by Siggelkow, 2002).

Accordingly, an industry can be thought of as always subject to opposing pressures for heterogenization (as firms strive to achieve competitive differentiation) and homogenization (as firms strive to achieve legitimacy) (Deephouse, 1996; Noda & Collis, 2001). When isomorphic pressures are strong, as they seem to have been in the period leading up to D&P, homogenization prevails. When such pressures weaken, as we believe occurred in the 20-year period after D&P, differentiation and deviance are accommodated (Oliver, 1991), and heterogenization is more evident. Thus, an absence of isomorphism does not directly cause intraindustry variety; rather, it allows it.

In sum, we seek to provide our own corrective to the general thrust of discourse on institutional theory, not by proposing a new or contrary theory, but by applying D&P's arguments in a new, unexplored way: Sometimes organizational fields become more heterogeneous, rather than homogeneous, over time; such a trajectory can be traced to the very forces that D&P identified, but operating in their

inverse. As such, D&P's contribution to organizational theory may have even more extensive implications than are typically considered.

THE "INSTITUTIONALIZATION" OF DIMAGGIO & POWELL'S IDEAS

Meyer and Rowan (1977) launched "the new institutional theory" (Mizruchi & Fein, 1999), arguing that organizations construct stories about their actions according to what they think influential others want to hear. Because of a desire to be seen as legitimate, organizations adopt practices and features that may or may not be functionally efficacious, but that they think their key resource providers deem appropriate. DiMaggio and Powell (1983) extended the argument by proposing that pressures from societal institutions and from collective rationality among organizational actors result in the homogeneity of forms in an organizational field. In the 20 years since they wrote their paper, D&P's ideas have been amplified, extended, and applied by numerous scholars, which has resulted in an "institutionalization," so to speak, of D&P themselves. In this section, we will provide a brief overview of subsequent research and highlight several trajectories, or themes, in this prior work that are relevant for our own arguments.

Overview of Subsequent Work

According to D&P, there are three mechanisms of institutional isomorphic change: coercive, mimetic, and normative. *Coercive* isomorphism emanates from the government and other powerful organizations that literally regulate or otherwise directly constrain organizations. *Mimetic* isomorphism stems from the inherent uncertainty in organizational life. Not knowing what the future holds, there is a tendency among organizational actors to look to those prospering around them for cues as to what they should do in order to also be successful. *Normative* isomorphism occurs because of professionalization among organizational decision makers, or the tendency for executives to enact the ideas, norms, and language expected of members of their managerial class.

A number of papers have explored mimetic isomorphism, particularly emphasizing the influence of interorganizational social networks. Davis (1991) showed that the adoption of the poison pill anti-takeover defense depended on interlock ties of directors. Haunschild (1994), also examining interlock ties, found that firms paid acquisition premiums that were similar to the premiums paid by the other firms to which their directors were connected. Burns and Wholey (1993)

examined the adoption of matrix management programs in hospitals, finding evidence that social and geographic proximity to adopters played a significant role. In addition, Galaskiewicz and Wasserman (1989) observed that companies tended to imitate the charitable giving patterns of other companies to which the top executives had social ties.

According to Mizruchi and Fein (1999), relatively few works have explored D&P's ideas about coercive or normative isomorphism. Among those examining how an organization's environment imposes requirements for adoption of certain practices, Mizruchi and Stearns (1988) found that macroeconomic factors, which affect companies' capital demands, were related to the appointment of financial institution representatives to company boards. Simons and Ingram (1997) showed that the dependency of Israeli kibbutzim on banks lead them to adopt capitalist organizing principles that were at odds with their socialist ideology. A recent study by Guler, Guillen and Macpherson (2002) showed that multinational companies located in different countries influence each other's rates of adoption of corporate practice, as a result of cohesive and equivalent network relationships. As evidence of normative isomorphism, Mezias (1990) found that company adoption of a new financial reporting method was affected by the importation of new executives who had been exposed elsewhere to the new method. Edelman (1990), demonstrating very subtle institutional forces, traced the rise and diffusion of formal grievance procedures for nonunion employees to the normative climate favoring civil rights and due process that arose in the 1960s. In addition, in their review of over 1600 corporate name changes, Glynn and Abzug (2002) showed that organizations indeed conform to institutional pressures in undertaking changes in their corporate identity.

As these examples indicate, essentially all studies of D&P's ideas have focused asymmetrically on processes of homogenization – adoption, imitation, conformity. They do not consider the possible dynamics of heterogenization – deviance, differentiation, variety.

From Symbolic to Substantive Domains

Originally, institutional theory was used to explain the tendencies of organizations to adopt symbolic, non-instrumental features so as to demonstrate legitimacy (such as occurs when personnel departments are elevated to "human resources departments") (Meyer & Rowan, 1977; Scott, 1991). But, as the studies discussed above indicate, the relevance of institutional theory, and of D&P's arguments in particular, have been shown to extend well beyond ceremonial or cosmetic organizational characteristics. Fligstein (1985), among the first to apply DiMaggio

and Powell's ideas, examined the mimetic adoption of the multidivisional form in a number of industries. Because the multidivisional structure is highly coincident with product/market diversification (Chandler, 1962; Rumelt, 1974), Fligstein's findings indirectly attested to isomorphism of company strategies. Other applications of D&P have directly examined organizational strategies. Ginsberg and Bucholtz (1990) found that the speed at which non-profit HMOs converted to being for-profit depended on the presence of other for-profit HMOs in their locale, as well as supportive state legislation. Haveman (1993) found that California savings and loans tended to follow their most successful peers into new markets. In a recent study, Williamson and Cable (2003) showed that firms hired managers from sources with which they shared interfirm network ties and that those hiring patterns were shaped by mimetic isomorphism. In a study of over 1,000 entry-mode choices of Japanese foreign subsidiaries, Lu (2002) found substantial support for institutional isomorphism, as later entrants tended to follow the entry-mode patterns established by earlier entrants.

Of the articles examining isomorphism since D&P wrote (as reviewed by Mizruchi & Fein, 1999), very few have focused on what could be called symbolic organizational characteristics; instead, most have dealt with more consequential dimensions of strategy, structure, or governance. Institutional theory thus appears to be relevant to explaining a wide array of organizational attributes (Powell, 1991).

"Industry" as a Relevant Locus for Isomorphism

D&P proposed the "organizational field" as the social unit in which isomorphism occurs, defined as "those organizations that in the aggregate, constitute a recognized area of institutional life: key suppliers, resources and product consumers, regulatory agencies, and other organizations that produce similar services or products" (p. 148). Although a few studies have invoked the concept of organizational field as the locus for isomorphism (e.g. Amburgey, Dacin, & Singh, 1996; DiMaggio, 1991), the vast majority of empirical works have adopted the industry as the unit of analysis for observing imitative forces (excluding studies that have examined personal ties of decision makers (e.g. Davis, 1991; Galaskiewicz & Wasserman, 1989). For example, Fligstein examined imitative tendencies within 2 digit (SIC) industries; Haveman (1993) studied imitation of market-entry initiatives among California savings banks; Thornton (1995) explored acquisition waves among college textbook publishers; and Kraatz and Zajac (1996) studied mimetic tendencies among liberal arts colleges. Essentially all of D&P's (1983) own examples of isomorphism are of industries, rather than broader "organizational fields;" and, in an extension of D&P, Powell (1991) referred amply to "industries."

Thus, our own focus on industries as a relevant locus for isomorphism appears to be compatible with D&P's own logic and with the prevailing thrust of subsequent application of their ideas.

We define an industry as a set of firms that are engaged in the same line of business and that are widely recognized as constituting a sphere of activity. The latter part of the definition is needed in order to avoid ephemeral or fanciful identification of industries. For example, it might be said that Southwest Airlines is not part of the airline industry, but rather is part of a smaller, more focused "discount airline industry." But, Southwest competes directly with other mainstream airlines, is subject to the same regulatory forces, is routinely included in listings of the airline industry, and comes under that same SIC. Granted, Southwest has a distinctive strategy, emphasizes certain segments, and might even be called a niche player. But, by our definition, and by most social accounts, Southwest is a member of the airline industry.

We belabor this point because our assertion of a recent increase in intraindustry heterogeneity might cause skeptics to contend that what actually occurred was a proliferation of new, narrow "sub-industries" – discount airlines, steel mini-mills, all-talk radio stations, "Big Box" retailers, unisex hair salons, prefabricated home construction, on-line brokerage, and so on. Such a view indirectly invokes the concept of "strategic groups," the idea that industries often consist of clusters of players, each with different profiles (McGee & Thomas, 1986). But just as the concept of strategic groups has been criticized for its reliance on *post hoc*, non-predictive categorization (e.g. Barney & Hoskisson, 1990; Peteraf & Shanley, 1997), so too does it fall short in aiding a theory of isomorphism. After all, it makes little sense to argue that the appropriate focus for observing isomorphism, or similarity, is among organizations that have been selected because of their similarity, especially when competition occurs both within and across strategic groups and the overall industry is a widely-accepted social construction.

Focus on Single Organizational Characteristics

Another feature of all prior empirical investigations of D&P's arguments is that each focuses on the adoption of some specific single organizational characteristic (e.g. the divisional structure, matrix structure, charitable giving, entry into a market, poison pills). None attempts to gauge the degree to which organizations are similar in their totality or across an array of centrally important dimensions. Yet, D&P distinctly referred to the relevance of their theory for explaining overall homogeneity, and this is the view we take here.

Obviously, in order to test for overall homogenization, a researcher would need to measure multiple organizational dimensions, perhaps encompassing elements of strategy, structure, and administrative practices. However, there may not be a need to examine an exhaustive array of organizational characteristics; rather, a few may convincingly reveal an overall pattern. Indeed, well-established contingency theory (Lawrence & Lorsch, 1967; Miles & Snow, 1978; and as summarized in Donaldson, 2001), leads to the expectation that if there is an increase in heterogeneity (or homogeneity) on one dimension, there will tend to be increases in others as well. So, for example, if we were to observe that steel companies significantly diverged in their strategies (say, their approaches to R&D, alliances, and international sales), we could reasonably expect that they diverged in other realms as well – their structures, their information systems, their staffing practices, and so on. Thus:

Assertion 2. The greater the increased heterogeneity of an industry in one domain (e.g. strategy), the greater its increased heterogeneity in other domains (e.g. structure, administrative procedures).

MACROSOCIAL FORCES FOR HETEROGENEITY

DiMaggio and Powell identified six "field-level predictors" of isomorphism, or conditions in a field that will cause member organizations to resemble each other. In this section, we will argue that a set of macrosocial factors exerted themselves on the American business scene over the 1980–2000 period, propelling all six of D&P's predictors in the direction favoring increased heterogeneity rather than homogeneity. We use the term "macrosocial" to refer to contextual conditions or trends that emanate from the broad social environment, such as from national culture, political and legal institutions, or demography. The conditions that gave rise to the macrosocial forces we will discuss fall outside our analytic scope. We can assume, however, that the six forces did not have common origins, birth dates, or rates of ascendance. In the sections that follow, we will describe and document the prevailing recent trajectory of each of these six forces and indicate how each contributed to a diminishment of isomorphic pressure.

Goal Ambiguity Diminished

DiMaggio and Powell (1983) argued that ambiguity about goals in an organizational field promotes isomorphism. Legitimacy concerns are greatest when there is uncertainty about appropriate ends; organizations pursuing idiosyncratic

ends, or whose goals are difficult to measure, seek to portray normalcy and fitness in their strategic and administrative features in order to secure and retain stakeholder support. By extension, when goals are unambiguous and easier to measure, organizations face less pressure to conform.

Between 1980–2000, goal ambiguity for publicly traded U.S. corporations greatly diminished; instead, an emphatic culture of "shareholder value" emerged. In the past, a broad set of corporate objectives – such as increased size, stable employment, and corporate "citizenship" – had been viewed as plausible goals for firms to pursue (Williamson, 1963), but in more recent years the maximization of shareholder value became paramount (Useem, 1996).

There are three primary reasons that companies became more fixated on shareholder returns. First, the influence of institutional investors grew. In 1965, institutions held 16% of the stock of major companies; by 1994, their holdings had reached 57% (Useem, 1996). As a result, these powerful investors exerted more pressure for financial success – including cajoling managers, putting companies on public "watch lists," and reducing their stakes (Useem, 1996). Active monitoring of boards and CEOs by these institutions and their allies was designed to accomplish a single goal – elevating shareholder welfare over other corporate objectives.

Second, shareholders became much more sophisticated in their understanding and evaluation of corporate performance (notwithstanding the Internet bubble of 1998–2000). Aided by enhanced information and communication systems, investors became much more aggressive in rewarding and punishing corporations for their performance (Denis & Kruse, 2000). Indeed, security analysts and investors might even be considered "hyper-alert," since quarterly earnings that missed expectations commonly brought about a punishing blow to the company's stock price (Prince, 2000).

Finally, the market for corporate control became a more prominent feature of the business landscape, adding pressure on management to maximize shareholder value or risk takeover by investors who will (Jensen & Meckling, 1976). For example, in a study of 350 poorly performing firms between 1985–1992, 176 (50%) were subject to either a takeover attempt or non-routine CEO turnover (Denis & Kruse, 2000).

Not only does a reduction in goal ambiguity propel heterogenization of firms in an industry, through the mechanisms envisioned by D&P. But when the universal goal is the pursuit of shareholder returns, in particular (and there is an absence of collusion), strategies and structures that simply imitate others are unlikely to yield the differentiation necessary to achieve that goal (Hamel & Prahalad, 1994; Porter, 1980). Hence, as institutional forces increasingly emphasized the primacy of shareholder returns, organizations had both greater discretion *and*

market pressure to adopt differentiated strategies and structures, thus increasing the heterogeneity of company profiles within industries. Ironically, what could be called “coercive pressure” for uniform corporate goals became a central force in engendering variety within many industries.

The steel industry illustrates how the primacy of shareholder returns increased over time. Even though the rise of foreign imports and the advent of the minimill technology started eroding the profits of major steel companies in the 1960s and 1970s, it was only in the 1980s that companies – under pressure from large shareholders (McManus, 1986) – began a massive restructuring effort and started setting out on the different paths noted earlier. Although the industry had been in trouble for some time, the rise of shareholder activists and their allies among institutional investors played an important role in promoting variety among steel companies (Larkin, 1999). More generally:

Assertion 3. During 1980–2000, more industries experienced decreases in goal ambiguity than experienced increases.

Industries Became Less Structurated

D&P discussed the structuration of organizational fields, arguing that fields with “stable and broadly acknowledged centers, peripheries, and status orders will be more homogeneous” (p. 156). While they did not discuss the implications of the opposite scenario – that fields or industries might become less stable, with more diffuse boundaries and membership – evidence of the 1980–2000 period suggests this is what happened. Consider again the steel industry. At one point, it was very clear which firms constituted the steel industry – a group called “Big Steel” (Seely, 1996). However, the rise of minimills, the growth of specialty steel companies, and the dissipation of geopolitical barriers all conspired to blur the boundaries and contours of the industry. The once-dominant American Iron and Steel Institute – the industry trade association that unified “Big Steel” for decades – was supplanted by a proliferation of specialized and competing groups (Seely, 1996). Whereas the Encyclopedia of Associations listed 32 groups with “steel” in their names in 1964, the number grew to 115 by 1999, reflecting the splintering and multidimensionality of the industry (Ruffner, 1964; Sheets, 1999).

Similarly, in the banking industry, where once there was clear understanding of the roles of different players, the effects of deregulation, globalization, technology, and competition created an overlapping, amorphous, and ever-changing array of competitors serving similar product markets. There emerged a vaguely defined “financial services industry” consisting of firms that previously thought of

themselves as members of such clear-cut industries as commercial banking, investment banking, and insurance.

In the same vein, the television broadcasting industry experienced a dramatic breakdown of its order. In 1980, there were three dominant networks, the Public Broadcasting System, and (in some metropolitan areas) a small number of local independent channels. By 2000, the dominance of the big three networks was greatly diminished, and viewers had access to a wide array of cable networks. Not only did these cable networks vary immensely in their programming (from classic sports to gardening), but they also varied in how the customer accessed them (basic cable, premium cable, pay-per-view, etc.). Similar complexity and structural ambiguity came to exist in other industries as well, including telecommunications, media, computers, retailing, and health care.

When industry boundaries become diffuse and fluid, as we saw occur between 1980–2000, D&P's logic leads us to expect greater variation in strategies and structures, both because diffusion of new ideas is non-routine and because there is less standard interaction among an established set of companies in an industry. With a proliferation of business formats, and the evaporation of distinct industry boundaries, each company has any number of directions it can turn for strategic and administrative insights. Those companies that attempt to imitate others have many more alternative exemplars – which themselves differ widely from each other – from which to choose.

Assertion 4. During 1980–2000, more industries experienced decreases in structuration than experienced increases.

The Role of the State Diminished

D&P contended that as organizations increase their transactions with the state, isomorphism increases because governmental agencies stress rules, formality, and standards, all of which promote conformity. While they did not address what would happen if dealings with the state diminished, an extension of D&P's argument would predict greater differentiation among organizations as governmental influence wanes. Between 1980 and 2000, the role of the state in business diminished in three ways: lower government spending, reduced government role in standard setting, and deregulation.

First, federal government spending as a percent of Gross Domestic Product declined significantly from 12.2% in 1970 to 7.1% in 1999 (Datastream International Limited, 2000). Although some industries (e.g. aerospace and defense) continued to have considerable dealings with federal government

agencies, the vast majority of industries derived far less of their revenues from the state and, accordingly, were less bound by government strictures. This was the case for the steel industry, where sales to government agencies dropped by more than half between 1970 and 2000 (U.S. Department of Commerce, 1974, 1998).

Second, while D&P asserted that "the federal government routinely designates industry standards for an entire field which require adoption by all competing firms" (p. 155), the experience of such industries as high-definition TV and wireless telecommunications – where the open market and competitive strategies determined which product standards were adopted – suggests that the role of the federal government in standard-setting may have actually diminished. For example, the standard for digital transmission technology in the U.S. resulted from years of discussion among representatives of the broadcasting, consumer electronics, and computer industries in collaboration with the FCC, but was not a direct edict from the FCC (Libin, 1997). By the year 2000, four different formats were used in the U.S. cell phone industry precisely because the FCC did not designate a single standard (Wooldridge, 1999).

The third and perhaps most significant reduction in the role of government occurred through the deregulation of business that started in the late 1970s. For example, after the Public Utilities Regulatory Policies Act was enacted in 1978 and then upheld by the Supreme Court in 1983, electric utilities started adopting a wide variety of strategies and structures, increasing diversity among firms in the industry (Rajagopalan & Finkelstein, 1992). As other industries – such as airlines, telecommunications, and banking – similarly deregulated, strategic options expanded and firms became more variegated (Noda & Collis, 2001).

Taken together, reduced government spending, a diminished role in the standard-setting process, and deregulation all worked to lessen the role of the state, in turn allowing greater heterogeneity in strategy, structure, and organizational forms.

Assertion 5. During 1980–2000, more industries experienced decreases in the role of the state than experienced increases.

Organizations Broadened Their Resource Dependence

In an extension of resource dependence theory (Pfeffer & Salancik, 1978), D&P argued that when an organizational field is dependent on a single – or very similar – source(s) for resource support, organizations in that field become more homogeneous because they face uniform pressures from key resource providers. When the resource environment is highly concentrated, all organizations in a field will tend to adopt strategies, structures, and systems that accommodate the

dominant resource provider. The evidence of the 1980–2000 period, however, suggests a pattern quite different than D&P anticipated – at least for a number of industries.

Instead of a narrowing of resource providers, the strategic evolution of many industries was toward a broader set of resource relationships. For instance, the number and range of joint ventures among firms substantially increased over time (Harrigan, 1986), creating new and varied dependencies among firms. It became increasingly common for firms to partner as minority investors in new startups; the diffuse boundaries between industries noted earlier created a myriad of alliances among very different firms, such as entertainment and communications (e.g. Viacom & Verizon), electronics manufacturers and cell phone makers (e.g. Sony & Ericsson), and computer-generated graphics and entertainment (e.g. Pixar & Disney). The easing of government regulations in many industries created new opportunities for joint ventures in energy, airlines, and banking. In the steel industry, joint ventures between domestic companies and their counterparts in Japan and Korea in the 1980s were expressly designed to expand access to such key resources as technology and capital (Seely, 1996).

Moreover, because of technological advances and elimination of geopolitical barriers, many industries had more varied outlets for their products (and more competitors in their traditional markets) than before. This too was the case in the steel industry: In 1960, 21% of all domestic steel production was sold to the auto industry; by 1997, it was down to 13%, and steel sales were generally spread more evenly across sectors (U.S. Department of Commerce, 1998).

In sum, resource concentration markedly diminished in many industries; where this occurred, there was less concentration of normative pressures on company practices.

Assertion 6. During 1980–2000, more industries experienced a broadening of resource dependence than experienced a narrowing.

Legitimate Alternative Organizational Models Proliferated

D&P emphasized the role of modeling in isomorphism, arguing that there are few alternative organizational models in place, and, in any event, when new models become legitimate they are quickly diffused to other organizations. Hence, organizations come to resemble each other. Once again, however, we observe that it is the inverse of D&P's expectation that prevailed during the latter decades of the century: there were an increasing number of legitimate organizational models from which to choose.

D&P asserted that "[m]uch homogeneity in organizational structures stems from the fact that despite considerable search for diversity there is relatively little variation to be selected from" (pp. 151, 152). But, in recent decades, there was a dramatic proliferation of legitimate strategic and structural options – quality circles, network organizations, reengineering, core competences, activity-based costing, the balanced scorecard, virtual organizations, strategic alliances, contingent workers, outsourcing, and e-commerce, to name a few. These administrative options were driven by an expanding army of experts comprising the management knowledge community – business academics, business press (Langstaff, 1991), management consultants (Abrahamson, 1991; Eccles & Nohria, 1992; Mintzberg, 1979), management gurus (Clark & Salaman, 1998; Huczynski, 1996; Micklethwait & Woolridge, 1996), and prominent executives (Tichy & Sherman, 1993).

By 2000, an executive could point to a credible external model in support of any of a wide array of initiatives. Even directly contradictory alternatives each had the imprint of legitimacy. For instance, distinguished support could be found for "outsourcing" (Quinn & Hilmer, 1994) or for keeping internal control of key activities (Stalk, Evans & Shulman, 1992), for using joint ventures (Harrigan, 1986) or for avoiding joint ventures (Collins & Porras, 1994), and for growing by acquisition (Haspeslagh & Jemison, 1991) or growing instead by internal innovation (Christensen, 1997). The widely-admired Jack Welch at GE espoused the virtues of broad diversification (Tichy & Sherman, 1993) at the same time that numerous other authorities preached the wisdom of a tight corporate focus (Treacy & Wiersema, 1995). As Micklethwait and Woolridge (1996) said in their book on the influence of "management gurus": "For every theory dragging companies one way, there are two other theories dragging it in another" (p. 15).

DiMaggio and Powell particularly emphasized the role of consulting firms in bringing about isomorphism: "[l]arge organizations choose from a relatively small set of consulting firms, which, like Johnny Appleseeds, spread a few organizational models throughout the land" (p. 152). In recent decades, however, the ranks of the consulting profession grew substantially. Whereas in 1965 there was one consultant for every 100 managers in the U.S., by 1995 that ratio had fallen to one in 13 (McKenna, 1999). With this proliferation of consultants came *their* overarching need to offer clients new models and ideas, so that they could differentiate themselves from their own competitors as well as from their own past offerings (Business Week, 1994; McKenna, 1998a, b).

Assertion 7. During 1980–2000, more industries experienced an increase in the number of legitimate organizational models than experienced a decrease.

Managerial Backgrounds Became More Diverse

In line with several other sociologists (e.g. Fligstein, 1987, 1991; Useem & Karabel, 1986), D&P argued that selection and promotion processes for senior managers effectively filter out individuals with unique backgrounds or talents. "Individuals who make it to the top are virtually indistinguishable" (p. 153) and will "tend to view problems in a similar fashion, see the same policies, procedures, and structures as normatively sanctioned and legitimate, and approach decisions in much the same way" (p. 153). These identical executives, in turn, are expected to adopt strategies and structures that conform to standard practices in peer organizations. While D&P did not consider the possibility of greater diversity of managerial backgrounds emerging over time, their logic suggests that if such diversity were to arise, it would lead to greater variety in executive perceptions and choices (Hambrick & Mason, 1984).

The evidence of the 1980–2000 period suggests that greater diversity of managerial backgrounds emerged in the U.S. Although the proportions of women and minorities at senior corporate ranks did not rise appreciably, other forms of increased executive diversity became evident. With increased globalization, foreign-born managers became more prevalent among the ranks of American business leaders (*Business Week*, 1998). As entrepreneurship and business growth accelerated, it became more common for top executives of major companies to have been founders (Gartner & Shane, 1995). Financial and legal backgrounds were no longer as prevalent as they were years earlier (Reinventing the CEO, 1989). Finally, facilitated by the increased influence of the executive search industry (Jenn, 1995), senior managers moved from industry to industry. In the 1990s, there were well-known cases of CEOs moving from tobacco to computers, from electronic products to film products, and from petroleum to steel. Such cross-industry movements would have been rare 30 years prior. Granted, if cross-industry mobility of executives were to become pervasive, the result could be a homogenization of managerial mindsets across all industries. Our assessment is that just enough cross-industry mobility of executives occurred during the period 1980–2000 to inject deviant, novel insights into the functioning of a number of individual industries. In short, there was a significant increase in the diversity of managerial backgrounds within industries.

Evidence of this trend can again be found in the steel industry. We conducted a limited examination of managerial backgrounds for the 20 largest steel companies in 1980 and in 1999. We focused on five dimensions among those commonly examined in research on executive demography (Finkelstein & Hambrick, 1996): age, years of formal education, proportion educated at an elite college or university, company tenure, and industry tenure. We defined the top management team (TMT)

as all company officers, yielding a mean TMT size of about 12 executives for both 1980 and 1998. Demographic data were collected from *the Dun and Bradstreet Reference Book of Corporate Management*. For each demographic dimension, we calculated each TMT's mean value; then we calculated the variance of the means across firms, as a gauge of intraindustry heterogeneity. Using Levene's test for equality of variance, we observed that all five of the intraindustry variances had increased between 1980 and 1999, four of them significantly ($p < 0.10$): executive age, amount of education, proportion of elite education, and company tenure. Overall, then, there is an indication that steel company TMTs became more demographically dissimilar in the closing decades of the twentieth century. We anticipate that changes in selection and promotion practices increased the diversity of executives in the majority of industries.

Assertion 8. During 1980–2000, more industries experienced an increase in heterogeneity of top executives' backgrounds than experienced a decrease.

EMPIRICAL EVIDENCE OF INTRAINDUSTRY HETEROGENIZATION

Increased Variety in the American Steel Industry

The steel industry is an ideal context for examining institutional forces for homogenization (or heterogenization). On the one hand, it meets the conditions D&P established as necessary for "inexorable homogenization" (p. 148). At the time D&P wrote, the industry was well established, and it had exceedingly clear boundaries that would facilitate a collective rationality and uniformity. In fact, as noted earlier, the steel industry was highlighted by Lieberson and O'Connor (1972) in their own discussion (predating D&P) of constraints on managerial volition. If homogenization is "inexorable," as D&P asserted, the steel industry would be a prime setting for observing it.

If, however, homogenization is not inexorable, but instead an outcome of the six field-level forces identified by D&P, then the steel industry is highly suitable for testing the possibility of *reduced* homogenization, or heterogenization. For, as we argued above, the steel industry over the latter decades has been like many other industries in experiencing a movement of all six forces identified by D&P in the direction favoring increased interorganizational variety rather than uniformity: goal ambiguity has been reduced, the industry has become less structurated, dealings with the state have declined, resource dependence has diffused, legitimate alternative models have proliferated, and managerial backgrounds have become

more diverse. As a result, we can anticipate that steel companies were allowed, by a reduction of isomorphic pressures, to pursue divergent strategies that caused them to become more heterogeneous over the closing decades of the twentieth century. Let us now set the backdrop for our analysis.

Historical Background. The American steel industry's early history is filled with prominent names like Andrew Carnegie and J. P. Morgan. But perhaps the most influential man in shaping the industry was Elbert Gary, a lawyer handpicked by Morgan to run U.S. Steel from its founding in 1901. Gary recognized that the capital intensity of the steel industry was a significant impediment to profitability. He thus took steps which indirectly coerced steel companies to become more similar and to resist new technologies or practices that would alter this stability. He instituted the "Gary dinners" in 1907, at which all of the top steelmakers convened to discuss output, labor practices, and prices. He established the American Iron and Steel Institute in 1910, to promote this spirit of intraindustry harmony. He eliminated price competition and temptations to build plants in new locations, by developing a pricing system basing freight costs from set locations, such as Pittsburgh, instead of from where the steel might actually be produced. He discouraged all but incremental changes in technology. The industry became ever more inward-looking and more mutually-reinforcing, eventually bolstered by abundant markets overseas and a lack of foreign competition following World War II. However, two exogenous shocks would start to disrupt this equilibrium: the introduction of substantially more efficient technologies and severe foreign competition (Most of the observations in this background to the steel industry come from Seely (1996) and Larkin (1999)).

The dominant method of making steel through the 1950s was the open-hearth furnace. Despite the development of the basic-oxygen furnace in 1953, which enjoyed considerably lower operating costs, American steel executives showed little interest; by 1960 only 2% of U.S. steel was produced in the new furnaces. By the late 1960s, however, American steel leaders faced the emergence of foreign competitors deriving substantial benefits from using new basic-oxygen furnaces and also paying much less for labor than U.S. firms. In 1960, steel imports were only 5% of total U.S. consumption; by 1984, imports had swelled to 26%.

An even more significant technological innovation was about to transform the U.S. steel industry. Minimills operated electric furnaces that were much smaller and cheaper to operate than the furnaces of the integrated firms. Minimills could produce some products for one-fourth of the cost of integrated firms (Larkin, 1999). They almost always employed nonunion labor and could locate closer to their customers, which further lowered their costs. These firms began to quickly take market share from the larger integrated steel firms. In 1960, minimills accounted for 8% of the total U.S. steel production, and by 1997 they accounted for 44%

(Larkin, 1999). To some degree, the steel industry divided into integrated firms and minimill firms. However, because they competed directly with each other, and because some of the larger firms (e.g. Lukens & National) combined elements of both types of organizations, it cannot be said that they were two industries. Rather, the American steel industry was becoming more varied.

By the 1980s, the large U.S. firms were forced to restructure in the face of mounting losses and decreased demand. This led to further heterogeneity of strategies in the industry. Republic and J&L merged to form LTV Steel in 1983. National Steel sold Weirton Steel through an employee stock-ownership plan in 1982. U.S. Steel renamed itself USX in 1986 to emphasize its diversification beyond steel; and, in a move presaging Intel's "Intel Inside" campaign, the company undertook an aggressive advertising program to put its name in front of the American public. Some firms sought access to new steel-making technologies and new capital by forming joint ventures with Japanese and Korean steel firms. Firms differed widely in their attention to product technology, with some investing heavily in R&D to find ways to escape commoditization (through such breakthroughs as "thin tin" and various alloys), while others focused strictly on reducing costs for standard products. Amidst this turmoil, in 1984 the United Steelworkers Association agreed to allow firms to negotiate separate contracts with its workers, leading to greater differences in labor costs and practices across firms. On many fronts, then, American steel firms became far more heterogeneous during the closing decades of the century.

Quantitative Assessment. In order to provide systematic evidence of increased variety in the steel industry, we examined how the dispersion of company profiles for several key strategic and performance variables changed from 1960 through 1999. We defined the steel industry as those firms whose primary SIC code was 3312 (steel works, blast furnaces, and rolling mills). This code encompasses the firms that Lieberson and O'Connor charted; it includes minimill firms (e.g. Nucor), in addition to the large integrated firms (e.g. U.S. Steel). The number of steel firms listed in COMPUSTAT ranged from a minimum of 20 in 1960 to a maximum of 48 in 1999. To avoid the risk that any observed increase in diversity might be due only to a larger number of firms, we limited our analysis to the largest (in sales) 20 steel firms for each year.

As discussed earlier, prior research on imitation and isomorphism has focused on specific, often narrow, organizational practices (e.g. accounting practices, charitable giving, and divisional structure). Such a focus may demonstrate a pattern for that particular practice, but sheds no light on whether organizations, in their totality, are becoming more similar – or less similar – to each other. Inasmuch as DiMaggio and Powell (1983) consistently referred to similarity, modeling, imitation, and isomorphism among organizations overall, their theory is not put to

a full test as long as only isolated, selective organizational practices are examined. Moreover, the use of narrow, isolated characteristics raises the obvious point that an almost endless number of such characteristics could be examined in tests of isomorphism, ranging from the consequential (e.g. organizational structure) to the trivial (e.g. the number of letters in the company name). Institutional theory originally was meant to explain the adoption of symbolic, essentially ceremonial, characteristics (Meyer & Rowan, 1977); but institutional theorists have extended their interest to more substantive, instrumental organizational characteristics, which is the focus we take.

Accordingly, we examined several indicators of strategy and performance (all drawn from COMPUSTAT) that have significance to the steel industry and which provide complementary gauges of firm behaviors. We used six strategy variables: capital intensity (measured as net fixed assets ($ thousands, in constant dollars) per employee), labor costs (pension expenses divided by net sales; total labor expenses are not reported by companies), capital structure (long-term debt divided by equity), working capital (working capital divided by sales), R&D intensity (research and development expenses divided by sales) and advertising intensity (advertising expenses divided by sales). Capital intensity is particularly important in the steel industry because it reflects the company's choice of production technology and asset configuration. Labor costs are also important to examine, because steel production is significantly dependent on labor. This variable could reflect, for example, events such as the United Steelworkers allowing firms to negotiate separate labor contracts with its members after 1984, and the rise of contingent workers and two-tier wage structures in the 1990s. Capital structure is relevant because of the industry's substantial capital requirements. Working capital reflects numerous company policies and practices, including inventory management and accounts receivable management. R&D intensity reflects how firms chose to deal with the commoditization of their products and the threats of substitutes. Finally, advertising intensity, while not strategically central for the steel industry, reflects firms' choices of market segments and efforts to differentiate their offerings. Our use of such financial ratios as indicators of company policies and practices, and even for specifically testing ideas of interorganizational similarity, has a long tradition in the organizational sciences (e.g. Finkelstein & Hambrick, 1990; Geletkanycz & Hambrick, 1997; Lieberson & O'Connor, 1972; Salancik & Pfeffer, 1977).

In contrast to prior studies of isomorphism, which have focused on adoption of specific practices, our measures capture the aggregate effects of company practices and policies. For example, our working capital measure reflects an array of strategic choices, including relationships with suppliers, backward integration, production lead-times, inventory control policies, and credit terms for customers.

Our measures hence impose a stringent test of our hypothesis, as increased heterogeneity can only be observed if an array of specific company practices diverge enough to yield divergent values of our aggregate measures.

We also examined trends in performance dispersion within the steel industry. After all, increased heterogeneity in essential strategic characteristics should be reflected in increasingly heterogeneous performance. We examined three performance measures which are widely used in accounting, finance, and strategy research to gauge overall company performance: return on assets, return on sales, and market-to-book value of shareholders equity.

Data Analysis. To examine whether the steel industry became more heterogeneous between 1960 and 1999, we analyzed the trend in the standard deviation of each variable of interest – an approach proposed by D&P themselves (1983, p. 155):

> Since the effect of institutional isomorphism is homogenization, the best indicator of isomorphic change is a decrease in variation and diversity, which could be measured by lower standard deviations of the values of selected indictors in a set of organizations.

Pooling all 40 years of data, the dependent variable was the standard deviation for the variable of interest (e.g. capital intensity) in a given year.

Our primary independent variable was year (1 through 40). We also included two control variables: (1) the mean value of the respective industry characteristic (e.g. capital industry), to control for the possibility that changes in standard deviations could be due in part to changed scale of the characteristics themselves; and (2) the standard deviation of firm sales, to control for the possibility that changes in the standard deviations of the firm characteristics could be due in part to changes in the variance of firm sizes (which of course could itself be taken as an indication of heterogenization). Because our observations were not independent across years, we used general linear regression (GLS) correcting the data for serial correlation.

Results. Descriptive statistics are presented in Table 1. The simple correlations (not shown) between year and the indicators of heterogeneity were generally positive, preliminarily indicating that steel companies diverged in their strategic profiles over the period examined. These results were confirmed in the more complete GLS analysis, presented in Table 2. Specifically there was a significant ($p < 0.05$) positive relationship between year and the standard deviation of each of the following firm characteristics: labor cost, working capital, capital intensity, advertising intensity, R&D intensity, return on assets, and return on sales. Only capital structure and market-to-book value did not show increased dispersion. It is worth noting that if we had not limited our sample only to the 20 largest firms in each year, but rather had included the gradually expanding number of steel companies

Table 1. Steel Industry, 1960–1999, Descriptive Statistics for all Variables ($n = 40$ years).

Dependent Variables	Mean	Standard Deviation
SD labor cost	0.013	0.006
SD working capital	0.165	0.208
SD capital intensity	20.471	17.085
SD capital structure	0.135	0.073
SD advertising intensity	0.003	0.005
SD R&D intensity	0.002	0.003
SD ROA	0.071	0.063
SD ROS	0.063	0.067
SD market/book	1.856	1.626
Control variables		
SD sales ($ millions)	833.327	540.882
MN labor cost	0.015	0.005
MN working capital	0.175	0.109
MN capital intensity	0.208	0.164
MN capital structure	0.201	0.076
MN advertising intensity	0.003	0.005
MN R&D	0.003	0.001
MN ROA	0.023	0.050
MN ROS	0.018	0.041
MN market/book	1.297	4.218

listed in COMPUSTAT, the statistical evidence of increasing heterogeneity of firms over time would have been even more pronounced.

It appears that the steel industry was far more diverse in 1999 than when Lieberson and O'Connor (1972) described it. With a reduction in pressures for conformity, the major firms pursued divergent strategies and policies, which show up in increased variance of strategic indicators. These increasingly heterogeneous strategies, in turn, led to increasingly heterogeneous performance.

Although we cannot begin to identify all the divergent choices made by steel executives during this period, our understanding of the industry's history allows us to note some of the concrete actions that led to the increased diversity in the indicators we examined. For example, companies took widely differing pathways in their use of alternative production technologies, their adoption of minimill formats, their level of backward integration, and involvement in foreign joint ventures – all of which would have led to increased heterogeneity of capital intensity. Similarly, companies diverged widely in their labor policies: some were locked in bitter struggle with unions, while others operated without unions; some used contingent workers far more than others; and some adopted two-tier wage structures, while

Table 2. General Linear Regression (GLS) Analysis of Steel Industry ($n = 40$).

	SD Labor Cost	SD Working Capital	SD Capital Intensity	SD Capital Structure	SD Advertising Intensity	SD R&D Intensity	SD ROA	SD ROS	SD Market/Book
Year	0.0002***	5.51***	0.218*	−0.0009	0.000028***	0.00073***	0.00216*	0.002*	−0.22
SD sales	3.6E−6**	0.25***	8.3E−3	−1.88E−6	1.0E−7	7.1E−7	1.1E−5	5.7E−6*	6.0E−4
MN of variable	0.56***	−2.41***	0.54***	0.72***	4.88	2.25	−0.53	−1.14	2.98 ***
Constant	1.2E−3	269.86***	5.17*	−0.03	0.00013	2.6E−3	0.06*	0.07	4.66
F	32.24***	18.11***	26.75***	31.55***	17.22**	26.74*	45.67***	27.34***	17.35*

*$p < 0.05$.
**$p < 0.01$.
***$p < 0.001$.

others stayed with more unified pay systems – all contributing to increased heterogeneity of labor costs. Companies took very different positions regarding product technology: some invested heavily in R&D to develop high-margin, specialized products, while others conceived of steel as a price-based commodity and pursued mainstream market segments – differences which no doubt showed up in increased heterogeneity of R&D intensity (Larkin, 1999; Seely, 1996).

Evidence from Additional Industries

In order to determine whether the increased heterogeneity observed in the steel industry was evidence of a more general pattern, as we have proposed, we conducted statistical analysis of a set of additional industries. Because of the multi-industry scope of this analysis, we do not provide any contextual backdrop, but rather rely strictly on quantitative evidence of increased heterogeneity.

Methodology. To identify a set of industries for examination, we searched the COMPUSTAT data files for all 4-digit SICs that met several criteria. As with the steel industry, we required at least 20 firms per year in the industry; we used the 20 largest firms in each year to calculate our measures. Firms were only eligible for inclusion if at least 70% of their revenues were derived from the focal SIC, a constraint that limited the set of potential industries but ensured that diversified firms were not included. Only industries that had 20 or more qualifying firms for at least 20 consecutive years (for any period between 1960 and 1999) were included. We only included industries whose SIC definitions remained constant over the period examined, omitting those that experienced any SIC reconfiguration, sub-divisions or combinations. Finally, we omitted any SICs that ended in a nine, which often signifies a miscellaneous group of firms. We conducted various sensitivity tests, varying the minimum number of firms per year, the minimum number of years, and the minimum percentage of revenues required in the focal SIC, and the results were highly consistent with those we will present.

The resulting set of 18 industries is presented in Table 3. Even though the set was derived by applying several stringent selection criteria, and hence is distinctly not random, it includes industries with a diverse set of characteristics: manufacturing (e.g. semiconductors) and service (eating places); mature, low-technology (e.g. perfume and cosmetics) and newer, high-technology (computer communications equipment); commodity (e.g. air transportation) and differentiable (hotels and motels).

We examined the same set of strategy and performance variables as for the steel industry, while recognizing that not every variable was of equal strategic importance for every industry. For example, in the pharmaceutical industry, capital

Table 3. General Linear Regression Analysis of 18 Additional Industries: Signs and Significance for Year Coefficient.

SIC	Industry Name	No. of Years	SD Labor Cost	SD Working Capital	SD Capital Intensity	SD Capital Structure	SD Advertising Intensity	SD R&D Intensity	SD ROA
2834	Pharmaceutical preparations	24	+*	+	−*	−**	+***	+	−
2844	Perfume, cosmetic, toilet preparations	24	+	+	−***	−***	+	−*	+***
3576	Computer communications equipment	26	+*	+	−	+***	+	+	−**
3663	Radio, TV broadcast, communication equipment	28	+***	+	−*	−**	+*	+*	−
3674	Semiconductors	20	+	+	−	+*	+*	+***	+**
3825	Electric measurement and test instruments	22	+	+	+*	+**	−	−***	+
3841	Surgical, medical instruments	34	+**	−	*	+*	+*	−	+**
4521	Air transportation, scheduled	35	+	+	+*	+**	−	−***	+
4813	Phone communication, radiotelephone	22	−	+	+	+	−	+	+***
5331	Variety stores	20	+***	+*	−**	−	+	+	−
5411	Grocery stores	21	+**	−	+	+*	+*	−	+**
5812	Eating places	26	−	+*	−	+	+	+	+
5912	Drug and proprietary stores	22	−	+*	−***	+	−***	+	+*
6021	National commercial banks	23	+	+	−***	+***	+	+	−**
6331	Fire, marine, casualty insurance	28	+	−	−*	+***	+	+	−
6351	Surety insurance	33	+	+	−*	−	−	−	+*
6798	Real estate investment trust	27	+	−	+	+	+	−	+***
7011	Hotels and motels	23	+***	+***	+	−	+	−	+

Table 3. *(Continued)*

SIC	Industry Name	No. of Years	SD ROS	SD Market Book	Positive Coefficients		Negative Coefficients	
					Total	Sig ($p < 0.05$)	Total	Sig ($p < 0.05$)
2834	Pharmaceutical preparations	24	–	+	5	2	4	2
2844	Perfume, cosmetic, toilet preparations	24	+	+*	6	2	3	3
3576	Computer communications equipment	26	+	+	7	2	2	1
3663	Radio, TV broadcast, communication equipment	28	–	+	5	3	4	2
3674	Semiconductors	20	+***	–	7	4	2	0
3825	Electric measurement and test instruments	22	–***	+**	6	3	3	2
3841	Surgical, medical instruments	34	+	–*	6	5	3	1
4521	Air transportation, scheduled	35	–***	+**	6	1	3	1
4813	Phone communication, radiotelephone	22	+***	+*	7	3	2	0
5331	Variety stores	20	+	+*	6	3	3	0
5411	Grocery stores	21	+***	–	6	5	3	0
5812	Eating places	26	+*	–	6	2	3	0
5912	Drug and proprietary stores	22	+	–	5	2	4	2
6021	National commercial banks	23	+	+	7	1	2	2
6331	Fire, marine, casualty insurance	28	+	+	6	1	3	1
6351	Surety insurance	33	+	+*	5	2	4	1
6798	Real estate investment trust	27	+***	+**	7	3	2	0
7011	Hotels and motels	23	+*	+*	6	4	3	1
Total					109	48	53	19

*$p < 0.05$.
**$p < 0.01$.
***$p < 0.001$.

intensity is not nearly as important as R&D policies. Still, the examined variables have been widely used by researchers for gauging strategic profiles; their values reflect an array of consequential company policies and practices; and (except for return on sales and return on assets) they are not redundant with each other, but rather are complementary dimensions of firm behaviors and outcomes.

We conducted the same GLS regression analysis as for the steel industry. The dependent variables were the standard deviations of each company descriptor for each industry. The independent variables were year (with 20–35 years available for each industry, again determined by the number of consecutive years that at least 20 companies were reported) and two control variables: the mean value of the descriptor and the standard deviation of firm sales for the year.

In order to make our data presentation manageable, we report only the sign and significance level for the "year" variable for each GLS regression conducted (Table 3). A significantly positive coefficient for year indicates that the industry became more heterogeneous on the focal dimension, as we have proposed.

Among the 162 regressions conducted, the coefficient for year was significantly positive ($p < 0.05$) in 48 cases (and positive with or without significance in 109 cases) and significantly negative in only 19 cases (and negative in 53 cases). Thus, there was considerably more evidence – more than twice as much – of increased heterogeneity in these 18 industries over the observed period than there was evidence of increased homogeneity.

As could be expected, the industries differed in their respective patterns, with some showing extensive signs of increased heterogeneity (e.g. semiconductors) while some showed fewer such signs or even indicated increased homogeneity on several fronts (e.g. perfume and cosmetics). Interestingly, some variables showed more of a widespread tendency toward increased heterogeneity across all industries (e.g. capital structure) than did others. These contrasts might be amenable to analysis, yielding new insights about the conditions under which increased heterogeneity and increased homogeneity are more likely to occur. Such an analysis, however, is outside our scope. We instead retain focus on our core question: Did firms within industries become more heterogeneous or more homogenous during the final decades of the twentieth century? The answer, preponderantly, for the 18 industries examined here, as well as for the steel industry, is on the side of increased heterogeneity.

The picture that emerges from our analysis is different than DiMaggio and Powell (1983) envisioned. Instead of observing a pattern of "inexorable homogenization" within industries, we find widespread evidence of mounting variety. Such a pattern is consistent with our argument that a set of macrosocial forces in recent decades all moved in directions that were not anticipated by D&P. These forces caused a diminishment of isomorphic pressures on firms, which then

allowed the pursuit of divergent strategies, structures, and administrative features. With reduced pressure for conformity, firms could set out on unique, novel paths in search of strategic differentiation and high performance.

IMPLICATIONS FOR MANAGERIAL DISCRETION AND OTHER EFFECTS

To this point, we have argued that D&P's envisioned forces for isomorphism recently operated in directions that lessened the pressures for conformity in many, perhaps in the preponderance, of industries. This reduction of isomorphic pressure engendered an increase in intraindustry variety. But, as we shall now discuss, it also conferred greater discretion on senior executives, especially CEOs.

Hambrick and Finkelstein (1987) introduced the concept of managerial discretion, defined as latitude of action, as a way to bridge polar views about managerial effects on organizations. The authors argued that sometimes managers matter a great deal, sometimes not at all, and often somewhere in between, depending on how much discretion they possess. Discretion exists when: (a) there is an absence of constraint; and (b) means-ends ambiguity is great, i.e. when a manager has many seemingly plausible alternatives that lie within the "zone of acceptance" of powerful stakeholders (Simon, 1945). Discretion-enhancing (or -restricting) conditions emanate from the individual manager himself or herself (e.g. cognitive complexity), from the organization (e.g. board vigilance), and from the environment.

Among the environmental factors that affect discretion, Hambrick and Finkelstein (1987) identified degree of regulation, product differentiability, industry growth rate, and demand uncertainty. In turn, these factors have been used in subsequent empirical research to gauge the degree of discretion present in an industry (e.g. Hambrick & Abrahamson, 1995). So far, however, there has not been any consideration of isomorphic pressure as a determinant of discretion. But that role is direct and almost certainly very substantial.

Isomorphic pressure restricts managerial discretion through both of the mechanisms identified by Hambrick and Finkelstein. First, isomorphic pressure directly constrains actions through its explicit – and sometimes implicit – requirements for companies to adhere to industry conventions. For example, if members of an industry have extensive dealings with the state, they may all face certain requirements about how to deal with suppliers, price their products, keep their books, and even how to pay their employees and executives. But, isomorphic pressure also operates in a second, more subtle way, by creating a widespread conviction about certain formulas for success. When Spender (1996) observed

that all the firms in an industry tended to use the same “recipes,” and Huff (1982, p. 125) argued that members of an industry share “interlocking metaphors or world views,” they were acknowledging, in part, the effects of isomorphic pressures. Namely, isomorphic pressures eliminate equivocality, or means-ends ambiguity.

When isomorphic pressures are lessened, managerial discretion is heightened. Executives are no longer constrained to a limited set of choices that mirror what is seen as legitimate. Indeed, Oliver’s (1991) discussion of the “strategic responses” that are possible in the face of institutional pressures suggests that bolder actions will be taken as the perceived strength of institutional strictures diminish. For example, when executives believe that institutional rules cannot be easily enforced, they will be more likely to challenge these rules by engaging in nonconforming behavior. With less pressure to conform, opportunities for managers to select from a wider set of options are created, increasing their discretion. Thus:

Assertion 9a. The less the isomorphic pressures on firms, the greater the managerial discretion.

Assertion 9b. During 1980–2000, more industries experienced increases in managerial discretion than experienced decreases.

The combination of increased managerial discretion and increased interfirm heterogeneity (discussed above) – both stemming from reduced isomorphic pressures – has important effects on a wide array of phenomena of theoretical and practical significance. To comprehend these effects, it is useful to consider them at two levels. First, enhanced discretion and interorganizational variety are conditions that objectively increase the influence of CEOs (and other executives) on organizational outcomes. Second, stakeholders (such as boards of directors and investors) and other observers (such as the press) comprehend the heightened impact of CEOs, and they reflect these perceptions in their own actions.

Objectively Increased Managerial Effects

As noted, Hambrick and Finkelstein (1987) introduced the concept of managerial discretion as a way to reconcile then-opposing views about how much managers matter. On one side, strategic choice theorists saw leadership as a creative endeavor, yielding considerable interorganizational variety, as CEOs exerted their imaginations and business insights in their quests for extraordinary business performance (Andrews, 1970; Child, 1972). On the other side, population ecologists (Hannan & Freeman, 1977) viewed organizations as inertial, hemmed-in by their histories and swept along by environmental forces. For them, leaders

had minimal influence on organizational forms and fates. The latter camp often cited Lieberson and O'Connor's (1972) landmark study of executive effects in 167 large corporations over a 20-year period. After controlling for year, industry, and specific company effects, the authors found that leadership (the "CEO effect") explained only between 6 and 15% of variance in the three performance measures examined (sales, profits, and return on sales). Lieberson and O'Connor concluded: "In short, all three performance variables are affected by forces beyond a leader's control."

Lieberson and O'Connor's finding of only modest executive effects on performance is consistent with DiMaggio and Powell's portrayal of strong isomorphic pressures on firms. But, if – as we have argued – isomorphic pressure diminished after the period of Lieberson and O'Connor's sample (1947–1965), thus yielding enhanced managerial discretion and intraindustry variety, then we can hypothesize that a replication of Lieberson and O'Connor, using a sample encompassing 1980–2000, would yield a substantially greater "CEO effect" than was obtained from the earlier sample. Because of reduced isomorphic pressures, managers mattered more to organizational performance in the closing decades of the century then in the middle decades.

We also expect a second type of increased executive effect on organizational outcomes: a stronger association between specific executive characteristics and subsequent organizational profiles. In line with Hambrick and Mason's (1984) upper echelons perspective, in which executives are seen as acting on the basis of their experiences, preferences, and other biases, numerous studies have confirmed relationships between executive characteristics (both psychological and demographic) and organizational outcomes (summarized in Finkelstein & Hambrick, 1996 and recently evidenced in Flynn & Staw, 2004). For example, Miller, Kets de Vries, and Toulouse (1982) found that certain CEO personalities were associated with structural centralization of the organization.

In the face of increased discretion, executives make decisions on the basis of their own personalized interpretations of the situations they face, rather than by simply conforming to industry norms and conventions. Managerial dispositions will play a larger role in determining the actions and profiles that emerge from organizations. When this occurs, executive characteristics (either psychological or demographic) become significantly stronger predictors of organizational outcomes (strategy, structure, and performance). Although researchers have found that the associations between executive characteristics and strategic profiles are stronger in high-discretion than in low-discretion industries (Finkelstein & Hambrick, 1990), and in smaller organizations than in larger ones (Miller, Kets de Vries & Toulouse, 1982), the idea that there could be wholesale, across-the-board temporal shifts in the amount of discretion afforded executives – and in the degree to which the

executives' characteristics are reflected in organizational profiles – has not been considered. In sum:

Assertion 10a. The greater the managerial discretion and interorganizational variety in an industry, the greater the objective effects of CEOs on organizational outcomes.

Assertion 10b. During 1980–2000, more industries experienced an increased "CEO effect" on organizational performance (à la Lieberson & O'Connor) than experienced a decrease.

Assertion 10c. During 1980–2000, there were more industries that experienced increased associations between CEO characteristics (psychological and demographic) and organizational outcomes (strategy, structure, performance) than experienced decreases.

Perceptions of Increased Managerial Effects

The increases in managerial discretion and interorganizational variety that occurred between 1980 and 2000, due to reduced isomorphic pressures, surely did not go unnoticed by organizational stakeholders. If, as we have argued, there was an increase in executive effects on organizational outcomes, then boards of directors in the year 2000 would have attached greater significance to the qualifications, behaviors, and performance of CEOs than did boards in 1980. Indeed, we will propose that the forces we have described lie behind several trends that became widely noted in the business press but eluded theoretical explanation: increases in CEO pay, increases in external hiring of CEOs, increases in CEO dismissals, and – intertwined with all of these – an increase in the romanticization of CEOs.

Increased discretion, in the form of more available options, creates greater needs for information processing and increases the complexity of the CEO job, which tends to lead to increased CEO pay (Finkelstein & Hambrick, 1988; Henderson & Fredrickson, 1996; Sanders & Carpenter, 1998). Moreover, as long as all companies in an industry pursue the same strategy, and the primary managerial challenge is to observe and imitate the most successful firms in the industry, CEOs are largely interchangeable and do not merit very abundant pay. But when the difference between the best and worst CEOs increases, as it would when discretion and intraindustry variety increase, boards will be inclined to pay aggressively in the hopes of obtaining and motivating superior executive talent (Hambrick & Finkelstein, 1987). In this vein, studies have found that CEO pay is greater in high- discretion than in low-discretion contexts (e.g. Finkelstein & Boyd,

1998; Joskow, Rose & Shepard, 1993). We believe that widespread increases in managerial discretion and interorganizational variety were major determinants of greatly increased CEO pay between 1980 and 2000; by one estimate, the ratio of CEO pay to factory worker pay in the U.S. increased from 44 in the 1960s to over 300 in the late 1990s (McLean, 1998).

In low-discretion contexts, CEO succession may be seen as a ceremonial passing-of-the-guard (Vancil, 1987), in which seniority and longevity are rewarded (Hambrick & Finkelstein, 1987). By contrast, in a high-discretion context, boards will see CEO succession as a periodic opportunity to locate and place distinctive, high-quality talent at the top of the firm (Pfeffer & Salancik, 1978). When CEOs are thought to matter a great deal to organizational forms and fates, boards will search comprehensively for promising candidates. The increases in managerial discretion and interorganizational variety that occurred between 1980 and 2000 were major factors, we believe, in the dramatic increase in external hiring of CEOs over the same period. According to *Business Week*, the percentage of major companies with CEOs hired from outside rose from 9% in the late 1960s to 32% by 1997 (Byrne & Reingold, 1997).

Similarly, when executives are restricted by isomorphic pressure and thus have restricted discretion, organizational strategies and performance all tend to be similar, and CEO dismissal will be rare. In such a context, companies all tend to perform within a narrow band (Lieberson & O'Connor, 1972), so interorganizational comparisons are muted; there are few distinct laggards within an industry. In any event, a CEO whose company is performing poorly can readily point to "industry conditions" as the cause. Because of isomorphic constraints, a new CEO would not be expected to perform appreciably better. In a high-discretion context, however, strategies and performance range widely, with large spreads between the best and worst firms in the industry. Moreover, because CEOs have abundant room for choice, boards will trace performance to their CEOs, not to exogenous conditions (Fredrickson, Hambrick & Baumrin, 1988). As partial evidence, Datta & Rajagopalan (1998) found that product differentiability and industry growth rates (both determinants of discretion) were negatively related to CEO tenure in a large sample of succession events. Overall, we conclude that the rise in managerial discretion and intraindustry variety between 1980 and 2000 contributed substantially to the increased rates of CEO dismissal – a trebling, by one account (Charan & Colvin, 1999) – during the same period.

When organization performance is extreme (either high or low), there is a tendency to attribute the performance to managers, which Meindl, Ehrlich and Dukerich (1985) referred to as the "romanticization of leadership." When these performance extremes are coupled with widely varying strategies and policies – such as are allowed when isomorphic pressures are minimal – we can expect

that attributions about managerial effects will be even further magnified. When observers see that performance disparities coincide with divergent strategies, structures, and administrative processes, they bestow credit – or blame – on managers (Chen & Meindl, 1991). When firms are highly successful, we hear about "heroes" (Hayward & Westphal, 2002); when firms do badly, we hear about "duds" (Finkelstein, 2001). At both extremes, however, it is the presence of managerial discretion and variety that prompts observers to hold managers, especially CEOs, responsible.

The perception of the CEO in American corporations – as the embodiment of the organization, as a fundamental driver of organizational outcomes, and even as the celebrity spokesperson for the organization – increased greatly in recent decades. Compared to their predecessors in the 1950s and 1960s, CEOs in the 1990s gained extraordinary notoriety and attention. Chief executives such as Jack Welch (GE), Herb Kelleher (Southwest Airlines), Michael Dell (Dell Computers), Bill Gates (Microsoft), Michael Eisner (Disney), and others became household names in the U.S. Although modern America's media culture and the ubiquity of communication pathways no doubt contributed to this creation of "heroic" CEOs, perhaps an even more important factor was the substantially increased variance in how firms behaved and performed.

Assertion 11a. The greater the managerial discretion and interorganizational variety, the greater the perception of CEO effects on organizational outcomes.

Assertion 11b. During 1980–2000, more industries experienced increases in CEO pay (beyond what could be attributed to inflation, increases in corporate size or profits) than experienced decreases.

Assertion 11c. During 1980–2000, more industries experienced increases in external hiring of CEOs than experienced decreases.

Assertion 11d. During 1980–2000, more industries experienced increases in rates of CEO dismissals than experienced decreases.

Assertion 11e. During 1980–2000 more industries experienced increases in the romanticization of CEOs than experienced decreases.

IMPLICATIONS AND FUTURE RESEARCH

The picture that emerges from our analysis is very different from that envisioned by DiMaggio and Powell (1983). Instead of a pattern of inexorable homogenization within industries, we believe intraindustry variety mounted over recent decades.

Ironically, though, this pattern of heterogenization was due to the very "field-level forces" for isomorphism identified by D&P; but all of these forces moved in directions opposite of those D&P anticipated. In most industries, corporate goals became less ambiguous; there was less structuration; the role of the state diminished; resource dependence broadened; the number of legitimate organizational models proliferated; and managerial backgrounds became more diverse.

Our thesis has significant implications for developing a complete model of industry homogenization and heterogenization. At a minimum, theorists must consider the possibility that isomorphic pressures can sometimes diminish, thus allowing increases in organizational variety. Even though D&P's essay is almost always invoked to explain conformity and imitation, their theory is symmetrical, and can be used as well to explain variety and differentiation.

Indeed, a symmetrical view of D&P – acknowledging the possibility of either increases *or* decreases in isomorphic pressures – could greatly inform an eventual integrative model of industry heterogenization. Noda and Collis (2001) recently presented such a model, in which they identified a set of "divergence forces" (such as local learning) and "convergence forces" (such as global learning, leading to imitation), each of which can ebb or flow over time. They did not address the role of isomorphic pressures in bringing about convergence or divergence within industries. From our analysis, however, we anticipate a major role for isomorphic pressures – a role that can sometimes promote convergence (as D&P envisioned) and sometimes divergence (as we have emphasized). Indeed, an eventually elaborated model of industry similarity/variety will incorporate central concepts from strategy (such as differentiation) (Porter, 1980), population ecology (such as resource partitioning) (Carroll & Hannan, 2000), and institutional theory.

By integrating the concepts of isomorphic pressure and managerial discretion, our paper also contributes to a new understanding of the heightened attention paid to American CEOs in recent decades. Given the supposedly increased vigilance of boards in recent years, due to higher levels of institutional shareholdings as well as changes in the composition and processes of the boards themselves, it is very difficult, for instance, to explain the dramatic increases in CEO pay that occurred. But if we consider the possibility that diminished isomorphic pressure gave rise to increased strategic and structural variety – and increased managerial discretion – then we have a partial answer to our puzzle. By 2000, managers mattered more to organizational outcomes than they did 20 years earlier. Indeed, this change helps to explain an array of highly visible recent shifts on the American corporate landscape: increased pay, external hiring, dismissal, and romanticization of CEOs. We do not rule out the possible role of other causal factors for these trends, but we can think of none that has as much explanatory potential, or that is as theoretically

parsimonious, as the diminishment of isomorphic pressure on American companies in recent years. That is, the presence or absence of intraindustry variety and choice affects an unexpectedly wide set of other organizational phenomena.

The ideas we have presented are eminently testable, and we hope to see empirical explorations follow. Some research opportunities follow directly from our assertions. First, there is an opportunity to examine multiple industries and to test, on carefully selected dimensions, whether they have become more homogenous or heterogeneous in recent decades – thus extending and verifying the limited empirical analysis we have presented here. We would envision focusing on some of the best established, fundamental dimensions of strategy (e.g. R&D intensity, capital intensity, international sales) (Porter, 1980, 1985), structure (e.g. functional versus M-form, centralization versus decentralization) (Miller & Droge, 1986), and administrative processes (e.g. control and resource allocation processes, planning systems, and reward systems) (Govindarajan & Fisher, 1990) for which accepted measures exist and could be applied in a multi-industry analysis. DiMaggio and Powell (1983) proposed that simply observing changes in standard deviations of selected attributes would be appropriate, and we would echo this idea. Researchers could also test for the presence of the six macrosocial forces we identified, as well as for their associations with increased heterogeneity (or homogeneity) of different industries. Some of the macrosocial forces will be more amenable to economical measurement than others. For example, measuring changes in managerial diversity in an industry would be relatively straightforward, but measuring changes in the number of legitimate organizational models in an industry would be a significant challenge. Still, all six forces could be measured to some degree. The third research opportunity would be to relate the presence (or absence) of the six forces, and the degree of intraindustry heterogenization, to such hypothesized consequences as increased CEO pay and external CEO hiring.

Numerous refinements and extensions of our ideas can be explored as well. For instance, there is the opportunity to draw distinctions between different types of organizational characteristics, perhaps positing that diminished isomorphic forces have brought about increased variety on some dimensions but not others. Research could also consider "threshold effects" of isomorphic pressure. It may be, for instance, that organizations need to conform to industry norms up to some basic, threshold level; but beyond that threshold, companies may be allowed – possible even competitively required – to differentiate themselves from others. If this view is apt, then the key question is not whether isomorphic pressures are absent or present, but rather how high the conformity threshold is. Another research possibility would be to take the model we have used to describe recent trends in corporate America and apply it to other points in economic history or other national settings. One might use our dynamic view of isomorphic pressure

to explain company and managerial behavior, say, during the rise of "scientific management" in the early 20th century, or in Russia since the breakup of the Soviet Union. Finally, evolutionary theorists may benefit from incorporating into their models the six macrosocial trends we have identified (as first raised by D&P); clearly, these six forces have major implications for the rise and fall of firms, as well as the dynamics among firms.

The influence of isomorphic pressure on organizational behavior is substantial and, we believe, pervasive. Not only does it greatly affect the degree of strategic, structural, and administrative variety among firms; but it is also reflected in some unexpected, second-order places: variety in performance levels, objective and perceived effects of executives on organizational outcomes, and, correspondingly, the importance attached to executives. Most notably, isomorphic pressures can intensify or diminish over time. DiMaggio and Powell's theory is as much one of heterogenization as of homogenization. In the closing decades of the last century, on the American corporate landscape at least, it was heterogenization that prevailed.

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THE RED QUEEN: HISTORY-DEPENDENT COMPETITION AMONG ORGANIZATIONS

William P. Barnett and Elizabeth G. Pontikes

ABSTRACT

We argue that competition among organizations is history-dependent, so that each organization's competitiveness at a given point in time hinges on the organization's historical experience leading up to that point. Specifically, we summarize the theory of "Red Queen" competition, where competition de-selects weak organizations and stimulates organizational learning, which in turn further increases the intensity of competition and so further strengthens survivors in an ongoing dynamic of reciprocal causality. Empirical evidence of Red Queen competition is summarized from various analyses of two organizational populations. We conclude that theories and empirical models of competition may be seriously mis-specified, and that the analytic tools of the field of strategic management may lead to incorrect conclusions, if they do not explicitly allow for this form of history dependence in competition.

INTRODUCTION

The interplay of organizations in competition is one of the most widely studied processes in organization theory. In contrast to early treatments of competition as an exogenous source of "environmental uncertainty" (e.g. Thompson, 1967),

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modern organization theories regard competition as generated by organizations, so that as organizations change so do their competitive effects. Although such competitive dynamics often are associated with organizational ecology (Carroll & Hannan, 2000; Hannan & Freeman, 1989), they appear across various theoretical approaches. Transaction cost economics emphasizes that over time "small numbers" situations emerge, as competing options become limited (Williamson, 1985). Economic sociology illuminates the back-and-forth process through which competitors' roles develop (White, 1981), and related work describes the development of social-status orderings over time among competing organizations (Podolny, 1993). Organization learning theory considers competitive dynamics, among organizations with different learning strategies (March, 1991; Mezias & Lant, 1994), and in the diffusion of strategies through learning over time (Greve, 1996). And if we consider more implicit treatments of competition, then even a broader range of work comes into view – such as the development of implicit competitions over social identities (Rao, Monin & Durand, 2003; Zuckerman & Kim, 2003) and among new institutional forms (Ruef, 2000). Overall, the dynamics of market competition has emerged as a unifying topic in organization theory.

A recent development in this vein is a broadly acknowledged call for research on how history influences competition. As it stands, research typically describes competition in terms of the organizational context at a given point in time, without explicit regard for the historical process that led to the current state: such as industrial organization studies of industry concentration, network models of structural equivalence, or ecological models of organizational density or "niche overlap." Yet scholars from various disciplines demonstrate that history should matter to competition (e.g. Carroll & Harrison, 1994; Dosi & Malerba, 2002). Our view is that history is fundamentally important to competition among organizations, with two significant implications. First, as we will argue, competition is strongly history-dependent – varying as a result of the historical path that led to the current situation – and this historical effect may even exceed in magnitude the effects of current-time competition. Second, by considering only current-time competition, research mis-specifies the consequences of competition. As a result, the competitive strategies of organizations may be ill informed and so may backfire, generating unintended consequences because they fail to consider history-dependent implications.

Our theory, labeled *Red-Queen competition*, is based on the idea that competition both de-selects less-fit organizations and stimulates organizational learning. Organizations that have survived competition, then, are more fit, and so in turn they generate stronger competition. This escalating competitive intensity then increases both the rate at which unfit organizations are de-selected and the pressure for surviving organizations to learn, which yet again intensifies the

strength of competition, and so on. Because of this ongoing, self-exciting process, organizations are more viable if they have historically experienced competition. Their rivals, however, also are stronger competitors if they have survived a history of having competed. Relative to its rivals, then, an organization developing in this way may appear to be unchanged – hence the reference (made initially by the biologist Van Valen, 1973) to the Red Queen from Lewis Carroll's *Through the Looking Glass*, who explains to the running Alice why her position remains stable relative to others who also are running: "Here, you see, it takes all the running you can do, to keep in the same place." Next, we explain the theory in more detail, and then report some empirical research and implications.

THE RED QUEEN: AN OVERVIEW AND SOME EVIDENCE

Our theory requires first that we distinguish an organization's *ecological* effects; that is, its effects on the viability of other organizations, from effects on its own survival. Figure 1 illustrates this distinction (see Barnett, 1997). Most research on the viability of organizations considers the latter; how various factors, such as an organization's characteristics, affect its own viability – the effects in β shown in Fig. 1. But an organization's characteristics might also generate ecological effects felt by other organizations, illustrated in the figure by w. For example, Barnett and Freeman (2001) investigated both the organizational and the ecological significance of product innovation. They found that organizations that have succeeded in bringing products to market early are more likely to survive (an organizational effect in β). On the other hand, they also found that organizations with later-entering products generate stronger competition, in that such cutting-edge organizations drive up the failure rates of their rivals more than do other organizations. This competitive consequence is a distinctly ecological effect (represented by w in Fig. 1).

We say that an organization is competitive when it generates negative ecological effects (in w) felt by other organizations. By this definition, an organization would be regarded as competing if, for instance, it depressed the growth rates, survival rates, or financial performance of other organizations. Similarly, competition could manifest itself in terms of organizational founding rates: An existing "incumbent" organization can generate competition by decreasing the viability of entrepreneurial attempts – effectively decreasing organizational founding rates. In these ways, "competitiveness" can be thought of as a quality of particular organizations, rather than as a quality of entire markets or market segments. So conceived, competitiveness can vary from organization to organization. A

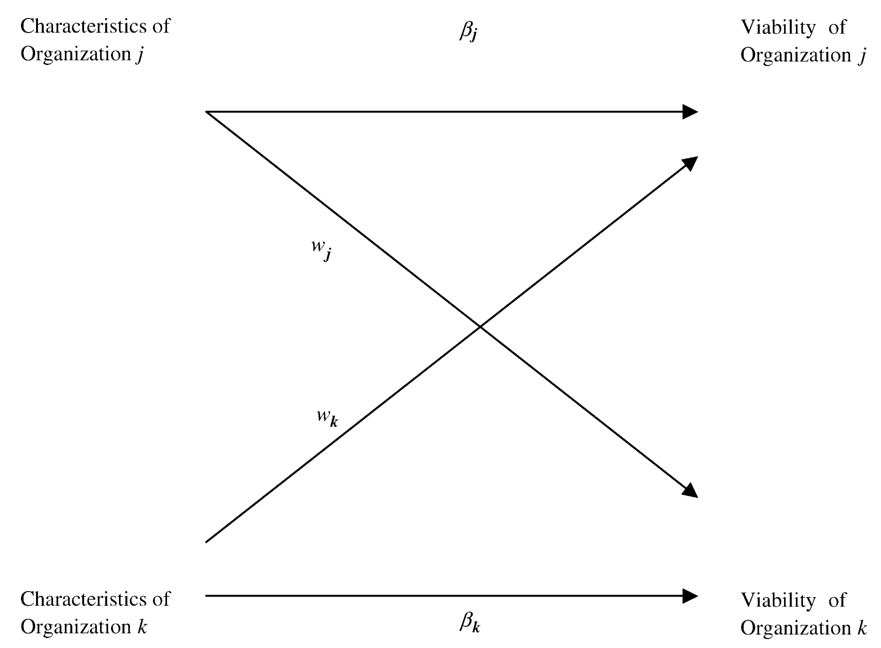


Fig. 1. Distinguishing the Ecological Effects of Organizational Characteristics. *Note:* Organization j's characteristics affect its own viability according to β_j and affect its rivals' viability according to w_j, the competitive intensity of organization j. *Source:* Barnett (1997).

particularly fearsome competitor is one that has strong, negative effects on the viability of other organizations, while a weaker competitor is one that does not.

With this distinction in mind, we can ask with greater precision the question: Why are some organizations more competitive than others? A variety of theoretical approaches across multiple disciplines address this question, mostly looking at current-time features of organizations: scale, scope, "capabilities" such as innovativeness or efficiency, status or reputation, market position, and the list goes on. Indeed, much of the research in organization theory that pertains to "strategic management" focuses on identifying the factors that determine an organization's competitiveness (e.g. Barney & Zajac, 1994). By and large, these prevailing theories emphasize how an organization's current-time characteristics affect its competitiveness.

By contrast, our approach focuses on the *process of surviving* as a primary determinant of competitiveness. In this approach, competitiveness is allowed to vary according to the historical path that an organization traveled to get to the current situation. Several existing models allow for history-dependent viability

(in β), arguing that factors such as founding conditions (Barnett et al., 2003; Carroll & Hannan, 1989; Swaminathan, 1996), or the cumulative number of failures in the population (Ingram & Baum, 1997) affect an organization's chances of survival. Our model not only allows for history-dependence in an organization's viability (β), but also allows an organization's competitiveness (w) to be history-dependent. In particular, we propose that experiencing and surviving adversity in the past increases an organization's current competitiveness in two ways: by de-selecting less-fit organizations, and by "teaching" organizations what it takes to compete. Consequently, given two organizations, if one has survived despite adversity while the other was not similarly challenged, the survivor of adversity is likely to be a stronger competitor (other things equal). So we construct a history-dependent model, in which viability and competitiveness depend on the degree of adversity to which organizations have been exposed historically.

Of course, some of the differences between organizations due to their different histories of adversity might be measurable in terms of current-time variables. For instance, survivors of adversity might consequently have more advanced or higher-quality products, on average, than organizations that have faced less of a challenge historically. But many differences due to history will be too tacit to be fully reflected in current-time observables, such as subtle but important differences in organizational routines or cultures. (Some in the strategic-management literature argue that such tacit differences are especially important to competitiveness because they are less imitable. See, for instance, Lippman and Rumelt (1982).) Consequently, two organizations with largely different histories might appear very similar in terms of measurable current-time characteristics: current size, current age, current competitive situation, and the like. In such cases, the difference between these organizations becomes clear only if we pay attention to the different historical paths they followed to their current state.

Although there are many ways to conceive of history-dependent adversity, Red Queen theory focuses on adversity resulting from competition. When an organization faces competition, it is likely to find difficulty securing resources compared to the case where no competition exists. Following March (1988, 1994), we assume that organizations react to such performance problems by searching for possible solutions ("problemistic search"). In this search process, the organization scans solutions that are relatively similar to current practice, so-called incremental or "local" search. Only when this search fails to find a satisfactory solution are more distant possibilities tried (Levinthal & March, 1981). This search continues until a satisfactory solution is found, at which point performance improvement allows the search to stop (March & Simon, 1958). In the face of competition, then, organizations can be expected to search for improvements to meet the challenge.

In March's search model, the process ends once a satisfactory solution is found. Note, however that the organization's adaptive changes not only improve its performance (an effect in β in Fig. 1), but they also are likely to make it a stronger competitor against its rivals (an ecological effect in w in the figure). These rivals, in turn, now are faced with new adversity and so are, themselves, triggered to engage in their own problemistic searches. Once they locate satisfactory solutions, and so improve their performance, they become stronger competitors – triggering problemistic search in their rivals. In this ongoing, reciprocal process, competition triggers learning which further increases competition, and so on: the Red Queen.

Differential selection also can drive the Red Queen, even if no learning takes place. In this case, assume that organizations differ in their competitiveness, but that competitiveness does not vary over time for any given organization. If competition de-selects the weakest competitors, then exposure to competition will, in turn, increase the levels of competitiveness among survivors. This increase in competitiveness implies even stronger selection pressures, which in turn will increase the pressure to de-select weak competitors, again increasing the surviving population's average competitiveness, and so on. In the end, we again have a history-dependent Red Queen, but this time the mechanism operating is selection rather than organizational learning.

Some react to the juxtaposition of selection and learning in our theory as if these are alternative versions of the Red Queen, or as if one mechanism might operate in certain contexts while the other operates in some other situations. Although we will discuss an attempt to distinguish the effects of selection and learning, we caution against too thorough a delineation of these mechanisms. Both selection and learning can and do operate at the same time. Indeed, one can argue that learning and selection are especially likely to occur simultaneously. Learning includes changes that are maladaptive as well as adaptive (March, 1988). When organizations become worse-off during their searches for improvements, this outcome then increases their chances of being de-selected. Consequently, much learning ends up increasing the chances of being de-selected – although in the end we see among survivors only the positively adaptive cases because they are selected for. Furthermore, note that in our theory the same force, competition, drives both attempts to adapt and selection. So we expect to see both adaptive and selective processes occurring coincidentally at high rates where competition is strongest.

Aspiration Levels and the Social Construction of Competition

One notable feature of Red Queen competition is that it can take place among organizations without assuming that self-conscious "racing" occurs among

individual decision makers. (See, by comparison, Lerner's (1997) analysis of a technology race.) In the Red Queen model, "racing" emerges as an incidental outcome among organizations engaged in problemistic search – even if organizational members are unaware of what is triggering their search or even that they are involved in a contest. For instance, Red Queen dynamics could conceivably develop in contexts where large numbers of essentially anonymous organizations compete without knowing the identities of their rivals, so-called "diffuse" competition (Hannan & Freeman, 1989). In fact, archival evidence reveals examples where beliefs about competition by organizational managers did not agree with objective evidence of competition. For example, entrepreneurs in the early-twentieth-century telephone industry often considered neighboring companies to be rivals, even in situations where systematic analyses demonstrate the opposite – that these companies enhanced each other's life chances because their systems were connected (Barnett & Carroll, 1987). Meanwhile, strong competition emerged among these organizations at the community level – between networks of connected companies – although this competition often was beyond the awareness of the individual managers involved (Barnett, 1990). Yet Red Queen theory applies despite the cognitive limitations of managers, because it requires only that competition triggers problemistic search, even if what ultimately sets off the process is unknown to organizational participants.

To the extent that the cognitions of individuals influence Red Queen competition, we think they likely serve to accelerate the process by escalating aspiration levels. Organizations, subunits, and individuals within organizations each have aspirations, and these define what will be considered a satisfactory level of performance that stops the process of problemistic search (Cyert & March, 1963; Greve, 2003). Much attention has been paid to how these aspiration levels adjust over time (e.g. Greve, 2002; Lant, 1992), and to how they are formed with respect to the social context (e.g. Frank, 2000; Greve, 1998;Herriott, Levinthal & March, 1985; Levinthal & March, 1981; Mezias et al., 2002). Conceivably, the Red Queen also could influence aspiration levels. To the extent that organizations determine success comparatively – that is, with respect to achievements of their peers – then organizational responses to competitive pressures may define other organizations' new aspiration levels, thereby increasing the stimulus for additional problemistic search. This response, in turn, drives up competitiveness only to again drive up aspirations. In this way, Red Queen competition may also operate through aspiration levels.

Escalating aspirations, as part of the Red Queen, may create instability in the social construction of what is considered achievable within a given competitive domain. Ordinarily, the social construction of competition is portrayed as a stabilizing force (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), generating

role structures among differentiated rivals (White, 1981), and institutionalized categories of competitors reflected in the cognitions of industry participants (Porac et al., 1995) and enforced by third parties (Zuckerman, 1999). However, since changes in aspiration levels occur through comparisons with peers, these levels may be perceived as constant within the constructed categories even as they escalate, much like how someone riding up an escalator views a friend on the same escalator as stationary. Within these categories, the Red Queen creates an ongoing, unstable process where new possibilities are repeatedly and mutually redefined among industry participants. Consequently, competitive processes may contribute both to the creation and institutionalization of stable categories, and to changing the mutually acknowledged definitions of what is possible within these systems.

Basic Predictions: Empirical Evidence

Models of Red Queen competition have been estimated using event-history data on organizations in two populations: Illinois retail banks and worldwide disk drive manufacturers. The primary empirical questions addressed in these analyses is whether experiencing competition in the past increases an organization's viability (history-dependence in β), and makes an organization a more fearsome competitor (history-dependence in w). (Of course, these models control for the level of current-time competition as well as other factors that reflect the munificence of each organization's environment.) Regarding the effects on β, Barnett and Hansen (1996, p. 150) found among 20th-century retail "unit" banks (single-establishment banks) in Illinois that a history of competition increased survival rates. Specifically, organizational failure rates were 47% lower among banks that experienced average observed levels of competition in their recent past, compared to banks that were historically monopolists in their local markets. And for banks experiencing the maximum-observed levels of recent-past competition, failure rates were 79% lower.[1] Meanwhile, those banks that were monopolists enjoyed an estimated 76% lower failure rate due to their lack of current-time competition.[2] On balance, then, the survival advantage of local monopoly was partly offset by the survival-enhancing effects of average levels of historical competition – and the monopolist's advantage was more than outweighed by the benefits of the Red Queen for banks facing the maximum-observed levels of historical competition.

Barnett and Sorenson's (2002, p. 312) analysis of growth rates among these banks was able to address empirically the question of whether selection effects alone – without organizational learning – can account for the evidence of Red Queen competition. They estimated fixed-effects models of the organizational growth rate, thereby controlling for time-invariant cross-organizational differences

in growth rates. This approach allows estimates of the Red Queen parameters to depend solely on over-time variation in growth rates within each organization's life history. Since the differential selection explanation for the Red Queen hinges on cross-organizational variation, support for the Red Queen predictions in a fixed-effects model is stronger evidence that learning is operating as described in the theory. In these models, the predictions of Red Queen theory held, with annual organizational growth rates increasing by about 1.4% for banks exposed to average amounts of recent-past competition, and a 3.6% increase for banks exposed to the maximum-observed levels of recent-past competition. This compares closely to a 4% lower growth rate due to facing current-time competition.[3] Overall, then, for organizational growth the advantage due to experiencing recent-past competition was nearly enough to compensate for the decrease in growth due to current-time competition.

In another analysis looking at history-dependence in β, Barnett, Greve and Park (1994, p. 23) estimated a dynamic model of financial performance on the post-1980 period for Illinois banks, and found exposure to recent historical competition generated greater financial performance – increasing returns on average assets (ROAA) by more than 0.08 per annual historical competitor. This effect was more than enough to compensate for the decrease in ROAA due to current-time competition, and was very large substantively: enough to move a community bank facing 5 rivals per year historically from performing below the top 50 into the top 20 nationally in 1991 (American Banker, 1992, p. 51).

In an examination of the Red Queen in β using data from another organizational population, Barnett and McKendrick (2004) found that small disk-drive manufacturers were 12% less likely to fail when they experienced the average observed levels of historical competition, compared to manufacturers that isolated themselves as "monopolists" in their own technological niches.[4] Also in their models, Barnett and McKendrick found positive age-dependence in failure rates, meaning that organizations became more likely to fail with organizational age (market tenure), a finding upheld in various studies that control for the effects of organizational size (Barron et al., 1994; Carroll & Hannan, 2000). Consider, however, that as organizations age they amass greater competitive experience – at least if they are not monopolists. In fact, the Barnett and McKendrick estimates imply that, for organizations facing an average amount of competition, the survival advantage due to experiencing this competition builds up over time enough to ultimately reverse the liability of aging. The overall pattern, for organizations facing average levels of competition, is initially increasing failure rates with age, but then declining failure rates as organizations grow more competitively experienced. Manufacturers that were monopolists in their own technological niches, by contrast, suffered an ever-increasing liability of aging. In light of these

findings, it is worth mentioning that non-monotonic age-dependence has appeared in some other studies (Brüderl & Schüssler, 1990; Levinthal, 1991), but in models that did not take into consideration the Red Queen. Perhaps conflicting patterns of age-dependence across failure rate studies are due to previous models not allowing for Red Queen competition. Once the Red Queen is explicitly modeled, the liability of aging may, in fact, turn out to be a liability of isolation, while non-monotonic age-dependence may be a consequence of the Red Queen.

Turning to tests for history-dependence in w, Barnett and Hansen (1996) found evidence that an organization's failure rate increased on average by 17% due to its rivals' recent-past exposure to competition.[5] Also looking at organizational failure, Barnett and McKendrick (2004) found that disk-drive manufacturers that experienced competition in their past as small firms were especially harmful rivals in the present. Specifically, they found that an organization's rivals increased its failure rate by 28% on average due to the rivals' historical exposure to competition.[6] A similar pattern appeared in Barnett and Sorenson's (2002) analysis of banks growth rates: An organization suffered a size decrease of about 1.6% annually (on average) due to its rivals' recent-past exposure to competition.[7] (Again, because this estimate was from a fixed-effects model, it constitutes stronger evidence that learning, as opposed to selection alone, plays a part in the Red Queen process.) Barnett and Sorenson also found evidence that the Red Queen affects barriers to entry. They found that markets where firms had experienced average levels of recent competition showed 52% lower founding rates compared to historically monopolized local markets (holding constant the degree of current-time competition).[8] So barriers to entry increased in markets as incumbent organizations amassed a greater history of experiencing competition – holding constant the degree of current-time competition. Meanwhile, long-time monopolists were especially vulnerable to new entry. Taken together, these various findings show that competitiveness (w) is history-dependent as implied by Red Queen theory.

Overall, the relative magnitudes of Red Queen effects in w and β depend on the circumstances of the various organizations. For organizations that have a good deal of prior exposure to competition, and are facing new or competitively inexperience rivals, the net effect of the Red Queen makes them more viable. In this situation, an organization's increased viability from past exposure to competition (in β) more than offsets the increase in competitive intensity from its rivals due to their past exposure to competition (in w). By contrast, if a competitively inexperienced organization faces a set of more competitively experienced rivals, the net effect of the Red Queen will reduce this organization's viability. This balancing continues to change over time; as an organization gains more competitive experience, its rivals also gain experience, are born, and die. For this reason, we cannot conclude

which side of the Red Queen is stronger without information about the strategic environment of any given organization.

Competency Traps

Given these findings, it may be tempting to describe Red Queen theory as being about how "the competition that does not kill you makes you stronger." It is well known, however, that apparently adaptive changes can end up having maladaptive consequences (March, 1981). In particular, organizations sometimes suffer from the so-called "competency trap," where they dysfunctionally apply known solutions to new problems (Levinthal & March, 1981; Levitt & March, 1988). The competency trap arises especially when times change for organizations, such that they are confronted by entirely new challenges for which their current repertoires of solutions are not well suited. Given that organizations typically "remember" rules and routines, rather than the original rationale for these institutional features (March, 1994, p. 91), the likelihood of misapplying known solutions to new problems is great. In these situations, organizations that have learned well are, ironically, especially disadvantaged.

Consider how competency traps might operate in light of Red Queen competition. If an individual organization falls into a competency trap, it might be possible for members of the organization to refer to other organizations for more satisfactory solutions to their new problems (e.g. Greve, 1996; Haveman, 1993). But through the Red Queen, entire cohorts of competing organizations may co-evolve into a competency trap, so that social comparisons simply reinforce their maladaptive behavior. When environments fundamentally change – for example due to the creation of new regulations, new technologies, or new markets – the Red Queen will have created entire cohorts of now-maladapted organizations. For this reason, we think that the notorious problem of the competency trap is especially problematic where Red Queen competition operates.

Empirical investigations of Red Queen theory show evidence of competency traps in β. To uncover this evidence, the research has assumed that lessons learned from distant-past historical experience are less appropriate to current conditions than are lessons learned from more recent experience. Therefore, selection and learning from distant-past competitive experience is predicted to make an organization less fit in current times, while recent-past competitive experience is predicted to make the organization more fit. Taking this approach, Barnett, Greve and Park (1994, p. 23), in their study of bank financial performance, find that evidence of beneficial Red Queen effects reverses entirely when they look at the effects of pre-deregulation competitive experience on post-deregulation

performance. Competitive experience from the regulated era reduced bank ROAA in the deregulated era by more than 0.06 per average annual competitor, enough to knock an otherwise-top performer well down the rankings. The competency trap appears also in the Barnett and Hansen (1996, p. 150) analysis of bank failure rates. They find that experiencing distant-past competition resulted in a 9% increase in an organization's failure rate on average – the opposite of the survival-enhancing effect found for recent-past competition.[9] And in Barnett and Sorenson's (2002) analysis of this population, the Red Queen growth effects also reverse for distant-past experience compared to recent-past experience, triggering a decrease in the growth rate of about 0.3% per year on average.[10]

Evidence of a competency trap also appears in the Red Queen as it affects competitiveness (w). Barnett and Hansen (1996) found that rivals who faced distant-past competition became considerably weaker competitors: An organization competing against such rivals was found to be 8% more likely to survive on average than if it were competing against rivals that did not have distant-past competitive experience.[11] Similarly, Barnett and Sorenson (2002) found markets that have experienced competition in the distant past saw increased founding rates of 4.4% on average.[12] They also found that facing rivals with exposure to distant-past competition accelerated an organization's growth rate by 0.17% per year on average.[13]

Not all tests support the idea that competency traps operate in Red Queen evolution, however. Using the distant-past versus recent-past distinction, Barnett and McKendrick's (2004) analysis of disk-drive manufacturers failed to detect evidence of a competency trap due to the Red Queen, but they did reveal a related effect in their analysis of global competition among these organizations. Porter (1990) proposed that experiencing competition in an organization's domestic markets should make it a stronger global competitor, a prediction in line with Red Queen theory as long as no competency trap is operating. The Barnett and McKendrick analysis, however, did not find evidence in support of the Porter hypothesis among disk-drive manufacturers. Instead, they found that competition became more global over historical time – but did not find that this effect depended on organizations' exposure to competition in their domestic markets. This pattern is consistent with the idea that lessons learned from competition in one's home country might not be applicable when an organization competes internationally.

Taken together, by and large the evidence points to a competency trap at work in history-dependent competition. If competitive experience is the teacher, then as time passes and conditions change, the lessons learned by entire cohorts of organizations may prove to be inappropriate. These results are important to understanding the full implications of the Red Queen. The process we describe may increase both the viability and competitiveness of organizations, but only

within a given context. Once times or contexts change, precisely those adaptations that once proved beneficial end up working to make cohorts of organizations less viable and less competitive.

STRATEGIC MANAGEMENT: RESPONDING TO THE RED QUEEN

Thus far, we have discussed competition as if its occurrence is exogenous to the behavior of organizations. In fact, organizations commonly are managed in such a way as to minimize their exposure to competition. To some extent, competition is reduced whenever organizations differentiate, a behavior that arguably emerges readily from the social structure of markets (White, 1981). Furthermore, the field of strategic management includes a large body of advice for managers on how to avoid or otherwise reduce competitive threats from other organizations, especially since the publication of Michael Porter's (1980) influential application of industrial organization economics to this problem. If organizations succeed in strategizing, and so achieve "positional advantage," does this mean that by reducing their exposure to competition they avoid taking part in the Red Queen?

To address this question, studies of Red Queen theory have distinguished between organizations according to whether they are more or less vulnerable to competition. Organizations enjoying positional advantages that protect them, at least in part, from competition should show significantly smaller history-dependent effects: Historical exposure to competition should enhance their viability and competitiveness less. Of course, neither should these organizations be plagued by competency traps, as is the case for organizations that take part in the Red Queen.

To see if the Red Queen hinges on whether organizations lack positional advantage, three different forms of positional advantage have been analyzed. The first, whether an organization manages to isolate itself from competition, has been discussed already implicitly. Many of the banks analyzed in these studies were one of a few competitors in a given local market, and some were local monopolists. Similarly, disk drive manufacturers sometimes isolated themselves in technological niches, producing drives unlike most or any other. For organizations taking this strategy, competition is minimized and so Red Queen processes are less relevant. In a sense, these organizations have traded off the developmental benefits associated with the Red Queen against the current-time benefits of remaining isolated from competition.[14]

A second source of positional advantage that has been examined in light of the Red Queen is organizational size. It is well known that large organizations enjoy social status advantages, can draw on institutional support, and otherwise are

expert at “buffering” themselves from the pressures of competition. Consequently, large organizations are less affected by competitive pressures than are small organizations (Barron, 1999). In light of our arguments, this fact raises the question: Are large organizations less susceptible to the Red Queen? In their analysis of disk drive manufacturers, Barnett and McKendrick (2004) find that the survival-enhancing benefits of competitive experience are three times stronger for small organizations than for large organizations. Meanwhile, they find that when an organization’s rivals experienced competition as small firms, they become especially competitive – but not so for competition experienced as a large firm. It appears, then, that history-dependence in competition operates more strongly for organizations that have not grown to the point where they can buffer themselves from competitive pressures.

A third form of positional advantage, market position that enables collusion, also has been analyzed in light of the Red Queen. In particular, organizations encountering one another across multiple markets sometimes “mutually forbear” from competing, enjoying deferential behavior from rivals in some markets in exchange for showing similar deference to those rivals in other markets (Barnett, 1993; Bernheim & Whinston, 1990). With this in mind, the Barnett, Greve and Park (1994) study of bank performance estimated the effects of current-time competition, and of historical exposure to competition, separately for banks according to whether or not they shared multiple markets. Consistent with the mutual forbearance hypothesis, banks sharing multiple markets appeared not to compete with one another, but neither did these banks benefit from the survival-enhancing effects of the Red Queen. (But, then, neither did they suffer from a competency trap after deregulation, as apparently did banks that did not mutually forbear.)

We know that organizations often succeed in managing their competitive environment, or at least in buffering themselves from competition. These findings suggest that one consequence of such positional advantage is that the dynamics of Red Queen competition are restrained. Like the “lazy monopolist” discussed in evolutionary economics (Nelson & Winter, 1982), organizations enjoying a positional advantage are less vulnerable to competition, and so are less apt to play a role in Red Queen competition. By contrast, organizations that lack such positional advantages are disciplined by the Red Queen, and as a result either become much stronger in constant conditions, but weaker when changing conditions generate a competency trap.

CONCLUSIONS

For decades, one of the central research questions in organization theory has been how organizations develop over time. By and large, our theories have framed

this question as being about what goes on within organizations as they age, grow, and change. Red Queen theory raises a new question in this regard: To what extent does its historical path through competition drive an organization's development? Although the consequences of development may be associated with factors within each organization, this does not mean that the cause of development is internal to organizations. According to Red Queen theory, ecological processes can be more important to organizational development than scholars have generally acknowledged. Even age-dependence, an organization-level process, may hinge on an organization's competitive history – specifically, the liability of aging may be a liability of isolation from competition. More broadly, we urge scholars to consider whether processes that we understand to be purely at the organization level may ultimately be driven by an organization's historical path through competition.

Red Queen theory also has implications for the field of strategic management, and in particular for the distinction between advantages based on position and advantages based on capabilities. Often, these two forms of advantage are discussed as distinct, or even as complementary. But if capabilities develop over time through the process of Red Queen competition, these forms of advantage may be oppositional. Organizations that achieve a positional advantage effectively reduce or eliminate competition from their environment, killing the Red Queen and thereby disabling the engine that generates capabilities. Consequently, position-based and capability-based advantages may be inversely related, so that organizations enjoying one advantage do so at the expense of the other.

The findings in support of Red Queen theory suggest several questions for future research. If organizations become well-suited to a given environment through Red Queen competition, then perhaps organizational inertia is especially strong for such organizations if and when they attempt to move into new environments. In this case, models of organizational change, which typically focus on the effects of organizational characteristics such as age and size (Barnett & Carroll, 1995; Hannan & Freeman, 1984), should allow for the effects of history-dependent competition. Are the well-known disruptive effects of large-scale organizational change especially strong for organizations that have survived a history of competition? Research on this question may reveal that Red Queen competition contributes to the notorious pattern wherein established organizations move boldly into new markets, only to fail. This consequence would be especially important if, having survived competition, managers of organizations regarded such bold moves as particularly feasible, inferring (erroneously) from their past record of success (Denrell, 2003). In this way, history-dependent competition might shape the likelihood and consequences of change in a self-defeating way, triggering adventuresome initiatives in precisely those organizations that find such changes to be most disruptive.

Another research possibility is to look for Red Queen dynamics among organizations on dimensions relevant to other aspects of the organizational environment. For instance, do organizations compete in Red-Queen fashion in knowledge space, innovating and stimulating innovation that might be evident in patent or innovation races? If so, then perhaps the direction of innovative activity is determined, in part, by the coevolution of organizations involved in Red Queen competition on this dimension. Such racing, we conjecture, might lead to higher average rates of innovation, but possibly less varied activity overall as organizations shape their pursuits as responses to one another. This outcome, in turn, might inadvertently decrease the degree to which such innovations are broadly exploratory, even as they intensify the pace of such activity. In any case, we are curious whether a history-dependent model of competition might be applied to understanding this dimension of the organizational environment.

Additionally, future research could look more carefully at the coevolutionary quality of Red Queen competition. To the extent that organizations move together through this process, then the unit of analysis when studying adaptation among organizations may more appropriately be entire cohorts of competitors, rather than individual organizations. Such cohorts, furthermore, may be especially vulnerable when they coevolve together for a considerable period in mutual isolation. Along these lines, we are curious whether disruptions that on their face seem due to exogenous technological developments might, in fact, be understandable as particular outcomes of Red Queen competition, and as such are more endogenous to the competitive system than we have realized.

This possibility, in turn, suggests that more work should focus on the dysfunctional consequences of Red Queen competition, especially the competency-trap implications of the theory. Despite our best intensions, we suspect that many will still regard this theory as being about a fitness-enhancing process (or even an efficiency-enhancing one). Yet such conclusions presuppose much greater environmental stability than one typically observes looking over time in any given context. More research on the ways that competency traps appear among coevolving organizations would help to illuminate these consequences of the Red Queen dynamic.

To conclude, we note that if once it was common for research on organizations to draw inferences from cross-sectional “snapshots” of data, modern scholarship in the field now routinely features data covering relatively long time periods. Yet, just as routinely, research in the field conceives of competition solely in terms of current-time conditions. And while we doubt that anyone would take the position that history is irrelevant to competitive processes, most research continues to analyze competition among organizations using models that do not explicitly consider the different historical paths through competition followed by different organizations. In this light, there is considerable untapped potential in

the field for advancing a research program on history-dependent competition. The promise, as evidenced by Red Queen theory, is not merely that we can augment theories of current-time competition with historical addenda. Rather, very different inferences about competition result from thinking in history-dependent terms. Even the common-sense notion that competition reduces an organization's viability is challenged when one considers the implications of history-dependence. If scholars take seriously the call for research on history-dependence, a very different theoretical and empirical picture of competitive dynamics is likely to emerge.

NOTES

1. The model estimates a coefficient of -0.1508 for the effect of recent-past competition on an organization's failure rate. Given the form of the model, and the fact that the observed mean of the independent variable is 4.2, this estimate implies an average effect of $\exp[-0.1548 \times 4.2] = 0.53$ times the baseline failure rate, which is a $1 - 0.53 = 47\%$ lower failure rate due to recent-past competitive experience on average. A bank surviving the maximum-observed 10 years of recent-past competitive experience is estimated to have enjoyed a $1 - \exp[1.548] = 79\%$ lower failure rate.

2. The survival advantage estimated for current-time monopolists was $\exp[-1.447] = 0.235$, or about a $1 - 0.24 = 76\%$ lower failure rate for these organizations.

3. The estimated growth effect of recent-past competitive experience/1000, in the fixed effects model using a 5-year recency window, was 7.003 (/1000). Given the form of the model, and the fact that the mean observed level of recent-past competitive experience/1000 for the 5-year window was 0.0020, this estimate implied that size changed by a factor of $\exp[7.003 \times 0.0020] = 1.014$, or 1.4% annual growth for a firm experiencing the average recent competitive experience. At the maximum-observed level of recent-past competitive experience/1000 of 0.005, the estimate implied a factor of $\exp[7.003 \times 0.005] = 1.0356$, or a 3.56% increase in size. Meanwhile, organizations facing current-time competition grew slower by an estimated factor of $\exp[-0.0408] = 0.96$, or 4% slower growth due to not having a monopoly.

4. The model had an estimated coefficient of -0.0119 for past competitive experience for small manufacturers. The mean of this variable was 10.57, so given the form of the model this estimate implied a failure-rate multiplier of $\exp[-0.0119 \times 10.52] = 0.88$, or a $1 - 0.88 = 12\%$ decrease in failure rates due to exposure to competition in the past.

5. The model had an estimated a coefficient of 0.0195 for rivals' recent-past competition. Given that this independent variable's mean observed value was 8, this estimate implies a failure-rate multiplier of $\exp[0.0195 \times 8] = 1.17$, or a 17% increase in failure due to one's rivals' recent-past exposure to competition.

6. The estimated coefficient for competitive experience gained while a rival was small equal to 0.0039. This yields a multiplier of $\exp[0.0039 \times 64] = 1.28$, or a 28% increase in failure rates due to one's rivals' exposure to competition.

7. In the fixed-effects growth model, the estimated coefficient for rivals' recent-past competitive experience (using a 5-year recency window) was -3.867 (with the independent variable divided by 1000). At the observed mean of 0.004 for that independent variable (divided by 1000), this estimate implies a size multiplier of $\exp[-3.867 \times 0.004] = 0.9838$,

or about a 1.6% decrease in an organization's size due to its rivals' recent-past exposure to competition.

8. Their estimate of -0.2176 as the effect of incumbents' recent-past competitive experience (over a 5-year recency window), given the observed average on the independent variable of 3.4, implied a founding-rate multiplier of $\exp[-0.2176 \times 3.4] = 0.477$, or about a 52% decrease in the founding rate due to incumbents' recent-past exposure to competition.

9. The estimated coefficient of distant-past competition was 0.0104. Evaluated at the observed mean of the independent variable (8.2), this coefficient implied a failure-rate multiplier of $\exp[0.0104 \times 8.2] = 1.089$, or about a 9% increase in the failure rate due to experiencing average levels of distant-past competition.

10. The coefficient of distant-past competition was estimated to be -0.3588, which when evaluated at the mean implied a growth-rate multiplier of $\exp[-0.3588 \times 0.0081] = 0.997$, or a 0.3% decrease in the growth rate due to experiencing average levels of distant-past competition.

11. In the model, the estimated coefficient of rivals' distant-past competitive experience was -0.0054. Evaluated at the observed mean of the independent variable, the failure-rate multiplier implied by this coefficient is $\exp[-0.0054 \times 16] = 0.92$, which is a $1 - 0.92 =$ 8% decrease in the failure rate due to one's rivals having distant-past competitive experience.

12. The coefficient of rivals' distant-past competitive experience (allowing for a 5-year window to define recency) was 0.003, implying a founding-rate multiplier of $\exp[0.003 \times 14.37] = 1.044$, or a 4.4% increase in the founding rate due to rivals' having distant-past competitive experience.

13. In a fixed-effects model, the coefficient of rivals' distant-past competitive experience (using a 5-year window to define recency) was 0.0972. Evaluated at the mean of the independent variable, this implies a growth multiplier of $\exp[0.0972 \times 0.0172] = 1.00167$, or about a 0.17% increase in an organization's annual growth rate due to its rivals' experiencing distant-past competition.

14. An alternative hypothesis – that monopolists inhabit unattractive niches – is controlled in these studies by including various control variables to capture environmental munificence. In the disk-drive study, additional case-by-case investigations revealed that firms in monopoly positions in a particular technology were not typically stuck in dead-end technologies.

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